US defence
Arms groups face a slimmer market
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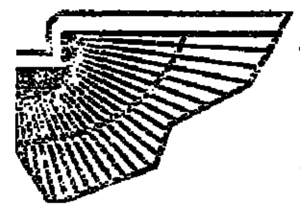

Aston Martin
From cottage industry to the big league
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FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY AUGUST 11 1994 — D8523A

Pensioners back Clinton's reforms for healthcare

The US Senate's debate on healthcare opened with deep divisions over Democratic efforts to help President Bill Clinton fulfil his promise to provide health security for all Americans. The bill sponsored by Senator George Mitchell, the majority leader, received qualified approval from the Congressional Budget Office and full backing from the American Association of Retired Persons, representing 33m Americans, which said that if the bill were defeated "healthcare reform will be dead for years to come." Page 12

Procter & Gamble 24% ahead: US consumer products group Procter & Gamble reported a 24 per cent surge in underlying fourth-quarter profits, helped by a 7 per cent rise in sales volume. Page 13

Standard Chartered shrugs off upsets: Standard Chartered, UK-based international bank, insisted that upsets in the Hong Kong securities market and its bullion trading arm Mocatta had not affected profits and were unlikely to be repeated. Page 13

Woman awarded £18,000 for dismissal

Samantha Phillips (left), an aviation insurance broker who claimed she was sacked after spurning the advances of a senior manager, won £18,000 ($27,900) in damages in her case for sexual discrimination and unfair dismissal. An industrial tribunal in south London awarded her only 75 per cent of full damages for unfair dismissal because it said she "behaved unwisely, foolishly and irresponsibly". Page 5

Cost cutting increases GKN profits: Profits at UK automotive components and defence engineering group GKN rose by 62 per cent to £97m ($150m) in the first half of 1994 because of cost-cutting and an upturn in several of GKN's businesses. Page 14; Lex, Page 12

Japanese interest rate cut ruled out: Bank of Japan governor Yasushi Mieno ruled out an early cut in interest rates, saying the economy still faced risks from a high yen and weak capital spending. Page 3

O&Y creditors in foreclosure move: Creditors of the US arm of failed Canadian property group Olympia & York said they would not pay O&Y $3.5m (£2.25m) under a deal struck in March and would begin foreclosure proceedings to gain ownership of an O&Y building in Manhatten. Page 15

Joint venture to manage Oman gas fields: Oman handed over output of its natural gas fields to Oman Liquefied Natural Gas, a joint venture by the state-owned oil company and a consortium of foreign energy companies. Page 4

Sumitomo to invest in Kazakh oil: Sumitomo Corporation, the Japanese trading house, is to invest jointly with German mining company Preussag in oil production in Kazakhstan. Page 4

TNT and Ansett fined for price-fixing: Australian transport company TNT and its related company, Ansett Transport Industries, were fined A$5m (US$3.6m) by the country's competition watchdog for price-fixing and collusion in the air freight business. The companies did not accept guilt or liability. Page 4

Cathay Pacific up 18%: Cathay Pacific Airways, Swire Pacific's Hong Kong-based international airline, reported first-half earnings of HK$803m (US$104m), up 18 per cent from the same period last year. The results follow a 23.8 per cent drop in profits in 1993. Page 14

Hoogovens back in the black: A strong turnround in steel enabled Dutch metals group Hoogovens to swing back into a net profit of Fl63m ($35m) in the first half from a net loss of Fl189m in the same period of 1993. Page 13

Esab share price rises: Shares in Swedish welding equipment supplier Esab rose further ahead of the bid price by Charter amid speculation that the UK industrial group would raise its offer. Page 13

Trawlermen accuse Navy: Cornish fishermen clashed with the UK Ministry of Agriculture when they complained that the Royal Navy was harassing British trawlers fishing for tuna in the Bay of Biscay instead of protecting them from the Spanish. Page 5

Extra cash vital to prevent TB epidemic in Asia

Health group warns that tuberculosis and Aids jointly threaten 12m lives

By Paul Abrahams in Yokohama

Up to 12m lives could be saved in developing countries over the next decade if the industrialised world increased annual spending on its anti-tuberculosis programmes by between $100m and $150m, the World Health Organisation said yesterday.

The organisation warned that TB and HIV, the virus that can lead to Aids, threatened to combine to create a huge epidemic in Asia, dwarfing the one now sweeping Africa and other parts of the world.

The world's aid agencies spend only $16m a year on fighting TB, yet it can cost as little as $13 to cure someone of the disease. Dr Arata Kochi, manager of the WHO's tuberculosis programme, told the 10th international conference on Aids in Yokohama.

Annual TB/HIV deaths in Asia would surpass those in Africa by the end of the decade, he added.

Over the next 10 years the cost to the Asian economies of the Aids epidemic alone could reach $52bn, according to the WHO.

Dr Tadao Shimao, president of the Japan Anti-Tuberculosis Association, said that over the same period TB and Aids together would kill more people in Asia than the numbers equal to the combined populations of the cities of Singapore, Beijing, Yokohama and Tokyo.

Dr Kochi said that about a third of the world's population carried the TB bacilli, although most never became ill. However, an HIV-positive person was 30 times more likely to develop TB than a non-infected individual, and was then capable of passing TB to family and friends who were not HIV-positive.

"This raises the frightening prospect that the general population now no longer has nothing to fear from close proximity to HIV-positive people. They are at risk [of contracting TB] simply by breathing the same air as [HIV-positive] people with TB," Dr Shimao warned.

The WHO estimates that in some parts of Asia, such as Thailand, India and Nepal, 70 per cent of Aids patients develop TB.

The median life-expectancy of an HIV-positive TB patient is six months. TB already kills nearly 2m every year in Asia.

The WHO estimates that an additional package of between $1.5bn and $2.9bn would be required each year to set up and maintain a basic programme for HIV prevention.

Funding for the WHO's global programme on Aids has fallen from a peak of $90m a year to only $70m in 1994.

Arafat and Rabin agree to step up peace moves

By Julian Ozanne in Jerusalem

Israel and the Palestine Liberation Organisation yesterday agreed on a series of high-level meetings to speed up peace negotiations after a tough and tense summit at the Erez crossing point into Gaza.

The meetings will address the issue of Palestinian national elections and the extension of Palestinian self rule from Gaza-Jericho to the rest of the West Bank.

The summit between Israeli prime minister Yitzhak Rabin and PLO chairman Yassir Arafat followed recent jousting in which each side accused the other of failing to live up to the pledges of their peace accords.

The PLO said Israel had reneged on promises to release Palestinian prisoners and is delaying the extension of self-rule from Gaza-Jericho across the rest of the Israeli-occupied West Bank.

Mr Arafat was furious when Israel signed an interim peace deal with Jordan and recognised King Hussein's special role as guardian of Islamic sites in future talks over Jerusalem. The PLO claims occupied Arab East Jerusalem as its political capital.

Israel in turn accused the PLO of not containing violence against Israeli soldiers who remain in Gaza.

Israeli officials said Mr Warren Christopher, US secretary of state, who met Mr Rabin and Mr Arafat during his regional shuttle earlier this week, had been sympathetic to Palestinian frustrations and had encouraged Israel to revive the momentum of peace talks with the PLO.

The tortuous negotiations between Israel and the PLO have been in marked contrast to the smooth and speedy Israeli-Jordanian peace talks. Jordan and Israel continued to make progress in talks yesterday. Israeli radio said the two sides agreed to joint promotion of regional tourism and would produce a joint tourist brochure within 10 days. They also agreed to begin connecting their electricity grids next week.

After the summit Mr Rabin said he had expressed concern about Palestinian violence against Israelis and stressed Israel's abiding focus on security. Mr Rabin strongly criticised remarks by Mr Farouk Kadoumi, PLO foreign minister, who called on Monday for the

Continued on Page 12
Senate votes cash to curb Jordan debt, Page 4

Yitzhak Rabin and Yassir Arafat (right) seal their first summit in Gaza. The two leaders agreed further talks on Palestinian self-rule Picture: Reuter

Fed chief stresses monetary programme cannot be left on 'automatic pilot'

Greenspan warns banks on policy

By George Graham in Washington

Mr Alan Greenspan, chairman of the US Federal Reserve, warned yesterday that central banks could not rely on any single rule or indicator in setting monetary policy.

"What has become increasingly clear is that no simple guide would enable us to put monetary policy on automatic pilot," Mr Greenspan said in a wide-ranging discussion of the difficulties of economic forecasting before the House of Representatives government operations committee. When asked whether he put more weight on financial indicators or on statistics in gauging the real economy, Mr Greenspan answered: "All of the above."

The Fed chairman's testimony was closely watched by financial analysts and bond market traders, because it fell in the middle of the Treasury's quarterly refunding operations and less than a week before a meeting of the Federal Open Market Committee, the Fed body which sets monetary policy, which is widely expected to raise short-term interest rates. But Mr Greenspan's discussion of the shortcomings of the consumer price index and the difficulties of conceptualising output proved too arid for most in the market.

The Fed's approach to monetary policy might be "closer to monotheism", Mr Greenspan said, if its statute set it a single goal, such as price stability. Instead, the Fed's founding statute lays out multiple goals, including high employment and a stable financial system.

Mr Greenspan said it was regrettable that M2, one of the monetary aggregates the Fed had traditionally used to measure the money supply, had "veered off" in recent years and was no longer a very useful indicator. He hoped that the structural changes in the economy which have caused M2 to swing wildly would end at some point and allow M2 to re-establish itself as a predictor of economic activity.

Bronwen Maddox in New York adds: Senior US regulators are considering new requirements on banks to disclose regularly their

Continued on Page 12

Andalucia deals blow to González

By David White in Madrid

The Spanish Socialist party's first ever parliamentary defeat in the southern region of Andalucia threatens to complicate its efforts to maintain the delicate political alliance which keeps it in power at the national level.

The Andalucian government headed by Mr Manuel Chaves has this week lost to the combined opposition forces in a series of motions on regional finances. Most seriously, the parliament has demanded that Mr Chaves withdraw his support from a budgetary system agreed last year, under which regional governments may control 15 per cent of the tax revenue raised in their territories.

The agreement is a cornerstone of the pact between Mr Felipe González's Socialist party in Madrid and the Catalan nationalists on whom they rely to achieve a working majority in the national parliament.

The opposition parties in Andalucia – conservatives, communists and regionalists – say the budgetary pact favours Catalonia as a rich region, at the expense of the principle of national solidarity.

Socialist politicians, however, see the parliamentary vote as a

Continued on Page 12

Dresdner advances 11% to DM1.04bn

By Christopher Parkes in Frankfurt

Operating profits at Dresdner, Germany's second-biggest bank group, rose 11 per cent in the first half to DM1.04bn ($660m) in spite of a 2 per cent decline at the parent, Dresdner Bank AG.

Mr Jürgen Sarrazin, chairman, yesterday forecast an above-average rise in earnings for the full year – at least 10 per cent more than in 1992 which was the last "normal" period because record profits in 1993 included extraordinary items of DM240m.

As with the other leading banks which have reported in the past two weeks, Dresdner's own-account trading suffered badly from market turbulence in the period.

Income from financial transactions slumped 90 per cent to DM39m, mainly because of heavy writedowns on its bond holdings, according to an interim report.

However, lending and financial services proved especially strong, helped by persisting demand for mortgages. Net interest income rose 14 per cent to DM3.4bn and commission earnings were up 17 per cent at DM1.63bn.

Group interest earnings were bolstered by results from derivatives operations, especially those of the bank's French BIP subsidiary.

In line with the trend at other German financial institutions, Dresdner reduced its provisions for bad and doubtful debts. Group-wide the total set aside fell just over 1 per cent to DM747.5m. Provisions at the German parent were down 11.5 per cent at DM491m, reflecting rising domestic optimism over industry's recovery prospects.

However, Mr Sarrazin stressed, no one should conclude that the risk situation had been defused. As usual, the consequences of the recession would become apparent in the banking sector only after a delay, he added.

Corporate and private demand for credit, particularly long-term loans, improved slightly in the review period, the report said.

This tendency is consistent with industry's apparent reluctance to invest in the early part of the year.

But since most economic indicators are pointing steeply upwards and domestic orders for capital goods have increased lately, German banks seem likely to benefit from rising demand for loans as the year progresses.

According to Dresdner's own calculations, the west German economy grew a good 2 per cent in the first half, while the east recorded a 10 per cent surge. For the year as a whole, it said it expected real pan-German growth of 2.5 per cent growth.

STOCK MARKET INDICES

FT-SE 100:	3167.8	(-1.6)
Yield	3.97	
FT-SE Eurotrack 100	1384.35	(-8.00)
FT-SE-A All-Share	1585.28	(-0.1%)
Nikkei	20,770.25	(+180.03)
New York: lunchtime		
Dow Jones Ind Ave	3767.74	(+11.98)
S&P Composite	459.51	(+1.59)

US LUNCHTIME RATES

Federal Funds:	4⅜%
3-mo Treas Bills: Yld	4.522%
Long Bond	84⅜
Yield	7.587%

LONDON MONEY

3-mo Interbank	5⅞%	(Same)
Liffe long gilt future:	Sep 102⅛	(Sep101⅞)

NORTH SEA OIL (Argus)

Brent 15-day (Sept)	$17.63	(17.995)

Gold

New York Comex (Dec)	$382.5	(383.0)
London	$378.4	(378.0)

STERLING

New York lunchtime:		
$	1.538	
London:		
$	1.5404	(1.5382)
DM	2.4253	(2.4349)
FFr	8.3095	(8.3441)
SFr	2.0429	(2.0538)
Y	155.814	(155.762)
£ Index	79.3	(79.4)

DOLLAR

New York lunchtime:		
DM	1.583	
FFr	5.42	
SFr	1.33225	
Y	101.225	
London:		
DM	1.5745	(1.582)
FFr	5.3945	(5.4212)
SFr	1.3263	(1.3344)
Y	101.155	(101.2)
$ Index	63.5	(63.6)

Tokyo close Y 101.29

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.80	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£30.00		
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal(mainland) Es225		Turkey	L30000	UAE	Dh12.00

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Irish braced for broadsheet broadside

Fears are growing of an invasion by quality UK newspapers, writes **Tim Coone in Dublin**

The Irish newspaper industry is once again looking apprehensively across the Irish Sea at the broadsheet price war currently taking place in the UK. It is fearful that the British tabloid invasion, which began in the 1980s and which has grabbed a 50 per cent share of the Irish tabloid market, is now about to be repeated by an invasion of upmarket UK daily and Sunday papers.

A small market by UK standards (Ireland's population is 3.5m), there are nonetheless almost 6m papers sold every week in the Irish Republic, with around 1.3m selling on Sunday alone. The UK papers currently have an overall market share of around 20 per cent.

According to one Irish newspaper editor, "there are enormous economies of scale in the UK industry. They can keep the presses rolling an extra half an hour and dump the extra copies in the Irish market at virtually no extra cost. The effect can be potentially devastating".

However, Mr Liam Igoe, a newspaper industry analyst with Goodbody stockbrokers in Dublin, believes the main threat is to Ireland's quality Sunday papers rather than the broadsheet dailies, the sector in which the UK price war is currently taking place. "The quality dailies have a strong Irish editorial content, and it will be difficult to compete with these on price alone" he said.

Mr Peter Murtagh, new editor of the Sunday Tribune, and formerly deputy foreign editor of the Guardian in the UK, believes that the strong Irish focus of the quality dailies and Sunday papers will be the key factor in fighting off the competition.

"Nothing will change the fact that the imports are British newspapers editorially controlled from London. This is a different country with a different perspective and a different agenda. Irish people want to read an Irish newspaper which reflects their perspective on events. At the same time, we have to be better at what we are doing and make editorial and presentation more attractive," he says.

Neither the Times, Daily Telegraph nor the UK Independent have gained significantly in market share since the outbreak of the broadsheet price war in the UK. Their combined circulation is still well under 10,000, compared with 90,000 for the Irish Times and 143,000 for the Irish Independent. A spokesman for Independent Newspapers, which publishes the latter,said: "We can't be complacent, but we are not too fearful of the price war spilling over into the Irish market."

Even among Ireland's tabloid papers, the Star (jointly owned by Independent Newspapers and the Express Group) has managed to increase its circulation from 85,000 to 89,000 over the past two years, maintaining its share against the Sun and the Mirror which sell a combined 110,000 in Ireland, and despite being 30 per cent more expensive. Around 80 per cent of the Star's content has an Irish focus.

Advertisers have also remained largely loyal to the Irish titles. Mr Steve Shanahan, media director of QMP, a large Dublin advertising agency, said: "There is little evidence of a switch by Irish advertisers to the UK imports." Despite higher advertising costs in the Irish market, it is still more cost effective to reach readers through Irish titles than through the UK imports.

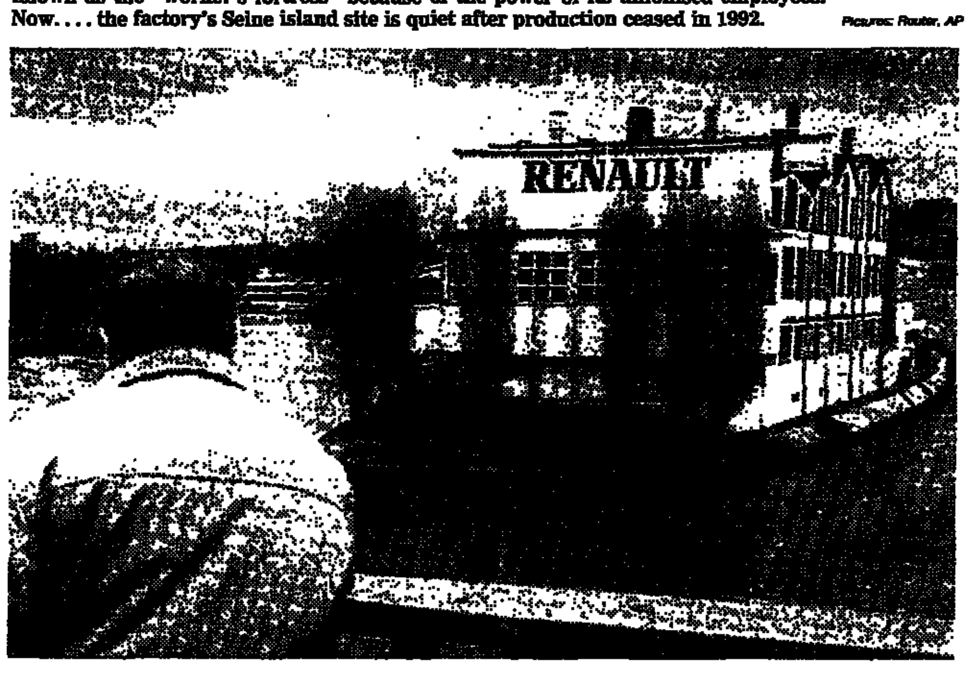
That loyalty could shift, however, if titles such as the Sunday Times, thought to be selling more than 50,000 now, continue to make inroads into the circulation of the Irish Sundays. Most at threat are the Sunday Tribune (90,000) and the Sunday Business Post (30,000). Ms Barbara Nugent, Sunday Business Post editor who also sits on the board of the National Newspapers of Ireland (NNI), the industry's umbrella body, said: "It is a worry. We are talking about people with much deeper pockets than ourselves and it is vital for our democracy that the Irish newspaper industry survives."

Under pressure from the NNI, the government recently established a working group to investigate the competitiveness of the Irish newspaper industry, and to suggest legislation to protect it from what many Irish editors believe are "predatory pricing" tactics from the UK. Whether that could square with European Union legislation remains to be seen, but according to Ms Nugent, "we are in a unique situation in Europe. No other country faces the threat we do".

John Ridding sees battle lines forming in a high-profile privatisation struggle

Renault sale sparks mixed union feelings

Then.... Billancourt workers (above) return to work after a strike in 1985. Renault's plant became known as the "worker's fortress" because of the power of its unionised employees. Now.... the factory's Seine island site is quiet after production ceased in 1992. Pictures: Reuter, AP



Mr Robert Hue, general secretary of the French Communist party, yesterday deployed all the symbolism he could muster in his attempt to put the brakes on the privatisation of Renault, star of the country's public sector and erstwhile stronghold of its workers' movement.

Speaking at the now-disused Boulougne Billancourt plant in western Paris, near where the first Renault car was built at the end of last century, he condemned the proposal to sell the motor group.

"At the time when France is celebrating the 50th anniversary of its liberation, the government is undoing the work of De Gaulle," he said, referring to the nationalisation of the car company after the second world war. "We declare our total and resolute opposition to this project and will use all our force to stop it." He warned of job losses and promised a campaign against privatisation after the holidays.

Despite the symbolism, however, it is less clear how much substance lies behind the threat from the Communist party and some of France's trade unions. The influence of both has waned and, for most observers, the proposed privatisation is more likely to stand as a landmark in the government's withdrawal from a dirigiste economic tradition than a victory for union opponents.

"I don't think the unions will prevent privatisation," says Mr Eric Michelis, motor industry analyst at Kleinwort Benson in Paris. "Renault is already managed like a private sector company." However, he believes the matter will need delicate handling.

That message is not lost on Mr Edouard Balladur, the prime minister. Displaying customary caution he has left his options wide open. Wary of the impact of an industrial dispute before next year's presidential election, but tempted by the prospect of a flagship privatisation and the FFr20bn (£2.4bn) or so it could bring to a strained public purse, his centre-right government has moved gingerly to prepare for what it calls "an opening of the capital" of the group.

Another sale, that of the insurance company Assurances Générales de France, has been lined up and is ready to be launched should the government prefer to privatise Renault next year. "No decision has been taken. We are following our strategy of having two irons in the fire," says an economics ministry official.

Which of the two companies will be offered first will be determined partly by the success of the government and Renault in ensuring employee support for the sale.

While the Communist-led Confédération Générale du Travail says it is "categorically opposed to abandoning a national industrial asset", other unions at Renault have given a nuanced response. The more moderate Confédération Française Democratique du Travail, which has combined with other unions to wrest control of Renault's central union committee from the CGT, says it is "not systematically opposed to a partial privatisation". Force Ouvrière says it wants more details about the impact of privatisation and guarantees that workers' rights at the plant will not be affected by the sale.

The possibility for disruption remains. While the CGT has seen its influence eroded and union membership generally is only about 10 per cent, it remains relatively strong in certain areas of the company. "They are present on the production lines and in the factories," says one industry observer. "So they can cause trouble if they want."

To prevent broader opposition, the government is likely to provide attractive terms to employees to back a privatisation. "The government may offer employees very cheap shares in the company to involve them in the operation," says Mr Michelis. A suggestion by the CFTC union that workers might be offered a bonus of FFr2,500 at the time of privatisation could, however, be too obvious a ploy.

Both sides in Bosnia threatened with UN air strikes

By Our Foreign Staff

The United Nations threatened yesterday to call in air strikes on both Serb and Bosnian positions for exchanging artillery fire within the weapons exclusion zone around Sarajevo, the Bosnian capital.

Lieutenant General Sir Michael Rose, UN commander in Bosnia, accused both sides of "serious breaches" and estimated that 400 artillery shells and mortar rounds had landed within and just outside the exclusion zone which surrounds the city.

UN officials say that Moslem-led government forces fire into the 12-mile-wide zone from the north, while Serb gunners return fire from within the zone, aiming at Bosnian-held Visoko and other targets.

This is the first time that the Bosnian government has been warned since the zone was first established last spring and is a reminder that both sides are expected to honour it.

However, Bosnian forces have become more assertive since Belgrade cut ties with the Bosnian Serbs last week following the latter's refusal to accept a western-brokered peace plan.

The Bosnian Serbs have faced increasing military pressure from Moslems, who appear to be gaining ground.

The battle focused on the main highway linking Sarajevo, which is again under siege, and the central town of Olovo. For Sarajevo, the road is an important supply link especially during the hard – and approaching – Balkan winter.

Confirming an improvement in morale and organisation, the Bosnian army yesterday cornered the breakaway Moslem enclave of Bihac. Troops advanced further into the northwestern zone as several thousand refugees continued to flee into Croatia.

Mr Fikret Abdic, Bihac's leader, rejected Bosnian amnesty offers. His chief military commander was killed by a tank shell yesterday as Bosnian troops built on gains made on Tuesday, when it captured two towns on the Croatian border.

Mr Abdic, a former Bosnian president, broke with Mr Alija Izetbegovich, the current president, last year by urging peace with Serbs and Croats. Their split exposed the deep fissures within the Bosnian Moslem community.

The Bosnian Serb media also reported an offensive on Brcko in northern Bosnia at a narrow point of an east-west supply corridor controlled by the Serbs.

A frequently violated ceasefire expired yesterday and the UN said it would not attempt to negotiate a new one.

Sniper fire and shelling on Tuesday killed three civilians in Sarajevo but the UN has resumed the halted food airlift into the Bosnian capital.

Snuffing out a separatist movement will only strengthen the Bosnian hand. The army apparently cornered Mr Abdic, the Bosnian president's main rival, in Velika Kladusa and met little resistance.

The refugee flight has raised fears that Serbs in the potentially volatile Serb-held Krajina region of Croatia, who had supported Mr Abdic after his break with Sarajevo, could step in to oppose the Bosnian army.

Mr Abdic vowed to fight on in Bihac. "I will stay with my people to fight for autonomy," he said. "We cannot be defeated. We are unbeatable."

Moldova deal hit by Russian spoilers

Chrystia Freeland on the ethnic factor in Moscow's hopes of TransDnestr withdrawal

Two years after a bitter civil war which at one point threatened to draw in neighbouring Romania and Ukraine, the break-away TransDnestr region of Moldova is in danger again of becoming a lightning rod for the discontent of ethnic Russians transformed into an embittered minority by the collapse of the Soviet Union. But this time the governments of Moldova and Russia, which yesterday appeared to be on the verge of an agreement for the withdrawal of Russian troops, are seeking compromise.

Russian and Moldovan officials, meeting yesterday in the Moldovan capital of Kishinev in the tenth round of negotiations aimed at smoothing military, political and economic relations between the two states, were reportedly close to an agreement on the most contentious issue: the withdrawal of the Russian-controlled 14th army from the TransDnestr region.

The 14th army backed Russian-speaking separatist leaders when TransDnestr violently split off from Moldova two years ago. The Slavic Russians and Ukrainians, who form a majority in the TransDnestr but are outnumbered in Moldova as a whole, refused to be a part of the newly independent state which they feared would eventually re-unite with ethnically kindred Romania.

Russia, which has claimed the right to defend ethnic Russians beyond its own borders, at first offered political support to the TransDnestrian separatists, but now appears to attach more value to restoring normal relations with Moldova.

However, ethnic Russian politicians and soldiers in the TransDnestr are refusing to go along with the Russian-Moldovan rapprochement.

Like the defiant Bosnian Serbs, who have refused to toe Belgrade's new political line, ethnic Russian politicians and soldiers in the separatist TransDnestr region, which is dominated by Slavic Russians and Ukrainians, are expressing a mounting sense of betrayal. Accustomed, when the Soviet Union was still intact, to acting as Moscow's favoured envoys in a non-Russian land they looked to Russia for support when they launched their separatist bid two years ago.

They have reacted to the growing rapprochement between Russia and Moldova over the past few months first with bewilderment and now with anger.

The danger that the Russian soldiers and politicians in the TransDnestr could become a rallying cause for the neo-imperialist political opposition to President Boris Yeltsin's government in Moscow is heightened by the wide-spread popularity of General Alexander Lebed, the commander of Russian forces in the TransDnestr.

The Russian ministry of defence announced plans last week to reassign the outspoken general, who became the darling of hardliners last month after he told Izvestia, a Moscow daily, that Russia needed a military dictator "like Chile's Pinochet" and described Mr Yeltsin as "a minus".

The discontent of TransDnestrian politicians manifested itself yesterday when embittered TransDnestrian officials walked out of talks between Russian and Moldovan representatives.

A withdrawal of the 14th army will "automatically lead to an imbalance of forces in the region and to a new spiral of confrontation", General Stefan Kitsak, the TransDnestrian representative, warned.

Although often themselves at odds with the ramshackle TransDnestrian government, the equally disenchanted officers of the 14th army are also emerging as potential spoilers of a Russian-Moldovan concordat.

Colonel Mikhail Bergman, a 14th army officer and ardent supporter of Gen Lebed, has been battering the Kremlin with an increasingly passionate series of accusations. He told Russian newspapers this week that the ministry of defence had been bribed by arms dealers to dismiss the fire-brand general and darkly warned that if Gen Lebed was ousted Russian President Boris Yeltsin's political future could be in jeopardy.

"Unless the president stands up for Lebed the way Lebed stood up for him, he won't remain in office for more than three months," Col Bergman told Reuters in a reference to Mr Yeltsin's critical support of Mr Yeltsin during the failed hardline coup in Moscow three years ago.

Col Bergman, whose fiery statements could strike a chord in Russia's poorly paid, demoralised and increasingly disorganised army, said that Gen Lebed "will be president of Russia".

"I tell you that as a fact. In Russia, people who are disgraced have always come to power."

This week a meeting of 14th army officers responded to Moscow's attempt to disband their army and reassign Gen Lebed with the declaration that they would not leave the break-away region.

Some observers fear that the defiant stance of both TransDnestrian officials and 14th army officers could – despite the best efforts of Moscow and Kishinev – lead to a fresh outbreak of fighting in the impoverished region. If Moscow's already tenuous control over the 14th army weakens further many of the 8,000 soldiers and officers and their massive arsenal could fall into the hands of the bellicose TransDnestrian government.

The mounting tension in the area is an unwanted distraction for both Russia and Moldova, whose governments would prefer to focus on painful but increasingly successful economic reforms. However, the increasingly volatile statements of politicians and soldiers in the TransDnestr suggests that Moscow, which helped to ignite the separatist flames in Moldova two years ago, will not find them so easy to extinguish now.

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EUROPEAN NEWS DIGEST

Russian GNP 'to fall by 10%'

A decline in industrial production of between 35 and 38 per cent in 1994 was predicted in a report issued this week by the Russian Central Bank. However, because industry accounts for a decreasing portion of the Russian economy, the bank predicted that GNP will decline by only 10 per cent. In the report, which has become the central bank's annual public declaration of its goals, bank officials said that their target is to bring inflation down to 8 per cent a month by the end of the year.

Earlier this year the Russian Central Bank, whose chairman was once described as "the worst central banker in the world" because of his enthusiastic extension of soft credits to Russian industry and agriculture, considerably tightened its monetary policy. This change in policy has had moderate success in reining in runaway inflation, but the Russian economy now faces a new inflationary threat. Unable to easily obtain credits from the government, Russian enterprises have extended loans to one another, creating a growing mountain of debt which threatens to paralyse the country's financial system.

In this week's report the central bank suggests that commercial banks be asked to participate in the increasingly urgent efforts of the Russian government to find a solution to the issue of inter-enterprise debt. *Chrystia Freeland, Moscow*

France holds six more Islamists

Six more suspected Islamist militants yesterday were detained by French police as part of the nationwide clampdown against suspected terrorists. The suspects were detained in the morning in Paris, Lille, Lyon and Marseilles. Yesterday's detentions follow a series of swoops and spot-checks on vehicles and individuals by French police since last week's terrorist attack by militant Moslem fundamentalists on a French embassy housing compound in Algiers. The number of people held for questioning in France during the course of the current clampdown now totals over 110.

The Algerian authorities yesterday claimed to have identified the ringleader of last week's terrorist attack as Mr Djamel Zitouni, 26. The Algerians claimed in an official statement that Mr Zitouni, said to be a member of the banned Islamic Salvation Front, was also responsible for the recent murders of two French nationals and two nationals from the former Yugoslavia. The statement did not say whether he had yet been arrested. *Alice Rawsthorn, Paris*

Kok cabinet to be named soon

The caretaker Dutch finance minister, Mr Wim Kok, was yesterday putting the finishing touches to a three-party government coalition agreement that will make him the next prime minister, more than 100 days after the country's general elections in early May. The three parties that are aiming to govern – Mr Kok's Labour party, the right-wing Liberals and the left-of-centre D66 – will be asked to approve the plan over the next few days, and ministers are expected to be appointed next week.

The proposed left-right coalition, a new departure in Dutch politics, will relegate the Christian Democrats of prime minister Ruud Lubbers to the opposition benches for the first time in modern Dutch politics. Mr Kok's plan calls for Fl 18bn (£6.59bn) in spending cuts over four years, with around one-third of the total involving cuts in expenditure on social security. Another controversial element is a proposed shake-up of university education. Students would continue to receive funding for education up to their bachelor's degree, but they would have to take out loans to finance master's and doctoral degrees. *Ronald van de Krol, Amsterdam*

CDU/FDP coalition 'possible'

For the first time since the current election campaign kicked off, an Allensbach Institute poll shows that Mr Helmut Kohl's Christian Democratic Union (CDU) could form a majority government with its Free Democratic Party (FDP) allies. Combined, the two parties would poll 50.2 per cent of the vote if the October election were held next Sunday, Allensbach reported. The breakthrough for the governing coalition has come from the rising popularity of the CDU, but more importantly from a turnaround in the fortunes of the Free Democrats who have seen their support grow since June.

The latest poll, conducted in August, indicates that the CDU would receive 40.9 per cent of the vote while the FDP would receive 9.3 per cent of the vote. The gains were posted at the expense of the opposition Social Democratic Party and the left-wing Greens/Bundnis 90 party. The poll indicates that the SPD will receive only 32.7 per cent of the vote while the Greens would get 10.1 per cent. The former communists, the PDS, would poll 3.7 per cent of the vote. *Agencies, Bonn*

Russia, Germany in gas talks

Russian and German gas industry leaders met in the Black Sea resort of Sochi yesterday to discuss marketing strategies and future co-operation, company sources said. The talks were attended by the heads of the German gas companies, Ruhrgas and BASF's BASF.F Wintershall Group, and Mr Rem Vyakhirev, chairman of Russia's Gazprom monopoly. The company sources believed this was the first time the German groups, which are fierce competitors at home, had held joint talks with Gazprom.

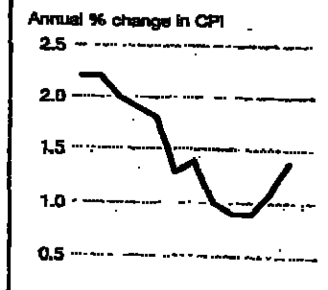
Wintershall, a relative newcomer to the German gas business, says it has taken an eight per cent share of the domestic market, traditionally dominated by Ruhrgas. Both companies are supplied by Gazprom. The Russian company says it would like its big German clients to make peace. "I not only want this very much, I'll fight for it," Mr Vyakhirev said in a recent interview. *Reuter, Bonn*

ECONOMIC WATCH

Norway's inflation put at 1.4%

Norway: inflation

Annual % change in CPI



Source: Datastream

Norway's Consumer Price Index (CPI) rose by 0.2 per cent in July from June, said Statistisk Sentralbyra, the Norwegian central statistics bureau yesterday. This brings the July year-on-year inflation rate to 1.4 per cent. According to the bureau, the rise in food prices recorded in the last couple of months slowed, with a yearly rise of 1.3 per cent in July, compared with an annual rate of 1.8 per cent in June. Meanwhile, oil prices and tobacco goods showed noteworthy price rises in July. The bureau said tobacco prices rose because of increased taxation while oil prices rose on the back of rises in the price of crude oil. *AP-DJ, Oslo*

■ Commercial bankruptcies in Switzerland rose 6.2 per cent to 580 in July from July 1993, the highest number of monthly bankruptcies since 1974 when Schweizerischer Verband Creditreform, an association of Swiss banks, began collecting data. Creditreform, which gives banks information on borrowers' creditworthiness, also said 3,326 commercial bankruptcy proceedings had been registered in the first seven months of the year, a decline of 3.3 per cent from the same period last year.

■ French household confidence about the outlook for the economy continued to improve, the national statistics institute said. "Continuing the trend seen since the beginning of the year, the (seasonally-adjusted) opinion of households on the general economic situation and on their personal situation improved in July." However, its July monthly survey showed expectations about future living standards remained unchanged and that more people than in June expected unemployment to rise.

Japan interest rate reduction ruled out again

By Gerard Baker in Tokyo

Mr Yasushi Mieno, governor of the Bank of Japan, yesterday ruled out a cut in interest rates in the foreseeable future.

"Our judgment on the economic situation remains unchanged in the light of several positive indicators," Mr Mieno said in Tokyo.

He repeated his oft-stated belief that the economy is headed for recovery, though he expressed caution about the pace of the upturn.

The economy has already registered strong growth in the first part of the year; unusually warm summer weather has helped boost consumption in the past few months.

That seasonal benefit would be reflected in faster-than-expected growth for the current quarter, Mr Mieno added, but he warned that when this temporary stimulus had passed, the economy would still be beset by potential risks such as a high yen and weak capital spending.

The governor's remarks appeared to confirm what many analysts have suspected for some time: that the bank sees the present historically low official discount rate of 1.75 per cent as the bottom of the present cycle, and as the economy recovers, the next likely move in rates will be upwards.

The bank has steadfastly resisted pressure at home and abroad to cut interest rates in the wake of the sharp appreciation of the yen in the past few months, arguing that monetary policy was consistent with the needs of the domestic economy.

Yesterday, Mr Mieno noted with evident satisfaction the recent slight decline in the Japanese currency's value.

But the bank's optimistic assessment of the country's prospects has not been shared by all analysts, including some of the government's own economists.

Last month's quarterly assessment by the bank stated confidently that the Japanese economy was "heading for recovery".

But it came just a week before the publication of a wide-ranging analysis by the government's Economic Planning Agency (EPA) that pointed only to "bright economic spots", and avoided stating unequivocally that recovery was under way.

The EPA's monthly report for August, to be published tomorrow, is expected to be equally cautious.

Some analysts have accused the bank of deliberately adopting a more optimistic tone about recovery prospects specifically to defend its opposition to a cut in borrowing costs.

Mr Mieno rejected such allegations, saying it was "putting the cart before the horse" to suggest that policy dictated economic analysis rather than vice-versa.

NZ may hang its government

Nikki Tait on a by-election that could rob National of its majority

Christchurch may be the largest city in New Zealand's South Island, but it is not usually the hub of the nation's political life. This week is different.

For the past few days, top politicians such as Mr Bill Birch, the finance minister, Ms Helen Clark, the embattled leader of the opposition Labour party, and Mr Jim Anderton, who broke away from Labour to form a coalition of five left-leaning minority parties called the Alliance, have been rubbing shoulders there. Jim Bolger, the prime minister, arrived last night.

The reason for this turnout is a by-election to be held on Saturday in the Selwyn constituency which threatens to end New Zealand's fragile political stability. According to the latest opinion polls, Mr Bolger's National party could lose the seat, and with it, the majority that has allowed National to govern for nine months.

Mr Bolger, anxious to deter voters from risking this option, has said that it would be "a disaster". A general election would be one possible outcome, but by no means guaranteed. What is certain, he claims, is that financial markets would take fright, causing the New Zealand dollar to fall, inflationary pressures to mount, and interest rates to rise.

By contrast, Mr Anderton – whose party looks most likely to snatch the seat from National – has talked soothingly of allowing the Bolger government to remain in office. The opposition parties would simply insist that it act in a consultative manner, passing only those measures on which consensus had been achieved. "They could govern," he says "but they just couldn't do what they want."

Last month, when Ms Ruth Richardson, the former finance minister who held Selwyn for National at the November general election, announced that she was quitting politics, few observers thought matters would pan out this way. Selwyn is a curious constituency, encircling Christchurch in horseshoe fashion. Historically, the electorate has been dominated by Canterbury Plains farming communities, who tended to back National.

Clark, left, accused of fudge; and Bolger who warns of disaster

But boundary changes before the general election last November added parts of Christchurch's urban hinterland, such as Belfast and Kaiapoi. These are blue-collar communities which traditionally vote Labour. About half the current Selwyn electorate receives some form of welfare payment, according to census data, and the threatened closure of local hospitals under the government's health service reforms has been a dominant issue in the by-election campaign.

The boundary changes may partly explain why Ms Richardson saw her majority cut to just 888 votes last November from more than 5,400 in 1990. Nevertheless, when she stepped down last month, few commentators thought the Bolger government would be at risk. National, it was argued, would retain its "bedrock" rural support.

Non-National voters, angry at the government's squeeze on welfare payments and slow to feel the benefits of economic recovery, were expected to split their protest vote between Labour and the Alliance.

An AGB-McNair opinion poll, based on a 400-voter sample and taken on Monday night, showed National set to win 30 per cent of the vote, the Alliance 27 and Labour 9. Immediately after Ms Richardson resigned, the figures were 33 per cent, 15 per cent, and 23 per cent respectively.

Since then, the Trade Union Federation, the umbrella body for about a dozen unions, has thrown its weight behind the Alliance. This, the TUF stresses, is not a long-term defection from Labour, but the only way to stop National.

The Labour-to-Alliance shift is not hard to understand. Mr Anderton promulgates old-style "tax and spend" policies and has played his cards adroitly since the last election when his party won more than 18 per cent of the vote but only two of the 99 seats.

Labour, by contrast, has big internal problems. Ms Clark ousted Mr Mike Moore as leader soon after the election defeat. But her personal popularity rating is much lower than her predecessor's, and Labour's financially-conservative but socially-liberal policies are tough to sell. Ms Clark calls Labour's approach "responsible, but with a heart".

For many reform-weary New Zealanders who do not believe that National's quest for financial virtue is building a desirable society, this is fudge.

If the Alliance wins the seat on Saturday, National would be reduced to 49 seats, while Labour would have 45, the Alliance three and NZ First two. Mr Peter Tapsell, the speaker, is drawn from Labour ranks, and has made clear that his primary responsibility would be to maintain the status quo. In the event of a confidence vote, for example, he would support a Bolger government. Mr Anderton has said the Alliance would do likewise.

Whether this would still allow Mr Bolger to plead "an inability to govern" and ask the governor-general to call a general election, is debatable. Asked yesterday about this, Mr Bolger said it was "not currently in my thinking". In any case, such a request might be rebuffed; the governor-general might very well ask Ms Clark, as leader of the biggest opposition party, to try to form a government.

Further clouding matters is New Zealand's decision to move to a proportional representation system. Under this, half the MPs will represent specific constituencies and the remainder will be drawn from party lists. The move was supported by a majority of voters last November, but the administrative changes will not be completed until next year.

An election under the new system would benefit minor parties such as the Alliance and, given the wafer-thin majorities at present, most pundits believe that the country would go the polls under the new system in 1995.

India's Schweik fights the rich and strong

By Shiraz Sidhva in New Delhi

Govind Rago Khairnar, 52, son of a poor peasant, who rose to become deputy municipal commissioner in the Bombay Municipal Corporation which administers India's richest city, is a national hero.

In a country where corruption is rampant, almost accepted as part of the political system, this gaunt bureaucrat has started a crusade against one of India's most powerful politicians, Mr Sharad Pawar, chief minister of Maharashtra, where Bombay is located.

While he has produced no evidence, Mr Khairnar accuses Mr Pawar of corruption and of having links with underworld dons. Mr Pawar has big business interests in Maharashtra, and is one of the country's richest sugar farmers. He is also one of the country's strongest contenders for prime minister.

Mr Khairnar, who belongs to one of India's lowest castes, has become a veritable Good Soldier Schweik, a little man fighting officialdom and power, with all the odds against him.

As the chief officer of the Bombay Municipal Corporation squad charged with demolishing illegal buildings in the city, Mr Khairnar's course inevitably collided with the underworld dons, film stars, and powerful businessmen-politicians who all contribute to make Bombay the rich, ruthless and powerful commercial capital that it is.

It is not the first time someone has sought to establish a nexus between the underworld, Bombay's tinsel world and politicians. But no bureaucrat has gone as far as Mr Khairnar, openly attacking someone as powerful as the chief minister. The common man identifies completely with him.

Mr Khairnar is not everybody's saint. Many powerful bureaucrats have felt that he has gone too far, especially when he has no proof to back his allegations. "My only job is to shout at the top of my voice, whatever I have experienced," he says, adding that it was "not his intention to collect proof against any individual".

Mr Khairnar may not have been able to substantiate his charges against Mr Pawar, but whether they are true or not, they have stuck. The chief minister was exercised enough to meet the prime minister to discuss the matter with him. Opposition parties and the anti-Pawar lobby in the Congress(I) party that have tried to use Mr Khairnar to fling dirt at their opponents have not succeeded. He has no political links, hardly any money, and is not afraid if his life is in danger.

After his suspension from service in July, Mr Khairnar spends much of his time addressing public gatherings, responding to invitations to travel to cities towns and villages all over India, addressing frenzied crowds of supporters .

At his meetings, men break the security cordon (the government has given him an armed escort and top-level security) just to be able to touch him. Women want him to bless their babies. India's most prominent social reformers have joined him in his crusade. His snowballing anti-corruption campaign is developing into a national phenomenon, even if nothing tangible has come of it yet.

Diplomat tells of Saudi dissidents

By Jeremy Kahn in Washington

Mr Mohammed Khilewi, a senior Saudi diplomat trying to defect to the US, said this week he is part of a underground organisation of more than 75 dissidents working toward democracy in Saudi Arabia.

"We have one ministerial official and more than five ambassadors, all well-educated people working with us," the former second-in-command of Saudi Arabia's diplomatic mission to the United Nations said in a telephone interview.

Mr Khilewi said the underground group wanted to topple the Saudi regime, which he has accused of being financially corrupt and guilty of countless human rights violations.

"Human rights is a small goal compared with the democracy," he said. "We are seeking to have a democracy and a civilised society."

In addition to human rights abuses, Mr Khilewi, who filed for political asylum in June, alleges his country gives financial backing to international terrorists – including the radical Moslem group Hamas, which opposes Arab-Israeli peace – and ordered its diplomatic missions to spy on US Jewish groups.

He also said the Saudi government was attempting to acquire nuclear weapons. Mr Khilewi further alleges Saudi officials in the US secretly diverted government funds to their own pockets. He says he has 14,000 documents – some of them classified – in his possession that prove his claims, but few have been released to the media. In a meeting on Capitol Hill two weeks ago, Mr Khilewi briefed an unnamed member of the House of Representatives on the charges he has levelled against the Saudi government.

"Members of Congress have approached us to meet with them in an effort to expose the blatant human rights violations that are occurring in Saudi Arabia," Mr Michael Wildes, Mr Khilewi's attorney, said. "We have been asked to testify before Congress and Mr Khilewi has been asked formally by a member of the House of Representatives to come forward and collaborate all the information that has been provided thus far."

Mr Khilewi, who has been in hiding since June, is worried he will be refused asylum because the US does not want to damage its close ties to the Saudis, Mr Wildes said.

Mr Wildes said he was contacted on July 22 by special agents from the the Federal Bureau of Investigations who said there was an "imminent" threat to kidnap Mr Khilewi and take him back to Saudi Arabia reported by a "credible" FBI source. But the FBI has not offered Mr Khilewi protection, Mr Wildes said.

Fear of labour unrest and exchange controls mean foreigners are still nervous of taking the plunge

S Africa's image problem makes investors wary

By Patti Waldmeir in Johannesburg

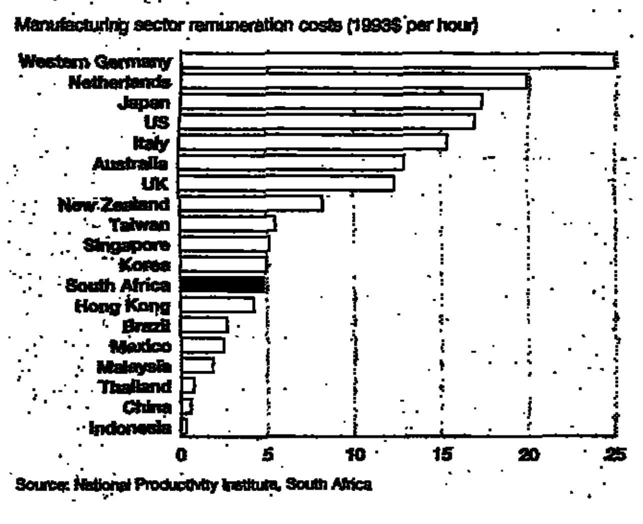
When it comes to attracting new foreign investment, South Africa has an image problem.

Potential investors like the rhetoric of the country's new government, which constantly promises fiscal discipline; but they are waiting to see intention translated into action. The retention of exchange controls and daily headlines proclaiming a crisis of industrial unrest have done much to perpetuate the image of South Africa as a high-risk destination for international capital.

This is not entirely fair. However nervous whites may grumble about striking black checkout girls or car workers, the country is not wracked by industrial strife – or at least, not any more than normal for this time of year. July and August are traditionally the "strike season" in South Africa, the period every year when collective bargaining reaches its peak in the mining, engineering, motors and other industries.

South Africa

Manufacturing sector remuneration costs (1993$ per hour)



Source: National Productivity Institute, South Africa

This year's disputes appear to have captured more than their fair share of publicity for two reasons: strikes have provided just about the only news available during the political lull which followed the April 27 elections; and whites have seized on the unrest as a focus for dissatisfaction with the new government which began to surface once economic realities dispersed the happy glow of the peaceful transition.

But whatever the popular perception, there is no real evidence of a fundamental shift in strike patterns, or a serious upsurge in militant action. According to Johannesburg labour consultants Andrew Levy and Associates, 233,066 man-days were lost to industrial action in July this year, higher than in the previous two years but less than a third of the figure for 1991 (752,655).

Some rise in strike action may have been inevitable. With the economy finally recovering after four years of recession and real wage cuts, there is substantial pent-up demand for wage rises.

Equality at the ballot box has also fuelled new demands for the narrowing of wage differentials between the (almost entirely white) management and the (almost entirely black) shop-floor. According to the Cape Town-based Labour Research Service, which has close links to the unions, the average pay of the directors of South Africa's 70 largest public companies is 47 times that of the companies' labourers.

A crisis of union leadership may also be exacerbating unrest. The Congress of South African Trade Unions (Cosatu), the largest federation, has lost nearly 100 top unionists to the government and the private sector in recent months, and many who remain lack the authority to push for unpopular settlements. Still, most unionists and employers believe all the big disputes – in engineering, the car industry and mining – will be settled, and that no national general strike is likely. Cosatu had threatened a general strike in the industrial heartland around Johannesburg last Monday, but abandoned the threat after talks with President Nelson Mandela.

That is the good news. South Africa is not a labour battleground (though if disputes drag on into the autumn, this view would have to be revised). But the bad news for investors is that South African labour is expensive in relation to productivity. According to figures compiled by Pretoria's National Productivity Institute, hourly manufacturing wages in South Africa, at $4.78 in 1993 dollars, rank just below wage rates in Singapore and South Korea (where productivity is far higher) and far above countries such as Malaysia ($1.80), Thailand ($0.71) and the Philippines ($0.68).

With most manufacturing employers likely to agree to above-inflation wage demands this year, South Africa's competitive position could worsen unless steps are taken to improve productivity. In the meantime, the image problem will persist – and foreign investors so desperately needed to create jobs may remain wary.

Filipinos wrestle with message of birth control

The church is countering a government campaign with demonstrations, writes Victor Mallet

Dr Juan Flavier, the Philippines' health secretary, has long been worried by runaway population growth in the Philippines, where four-fifths of the inhabitants are Roman Catholics forbidden by doctrine to use artificial methods of birth control.

His campaign is to be challenged on Sunday with a big demonstration, called by Cardinal Jaime Sin, Archbishop of Manila, to express opposition to artificial contraception and abortion. The Cardinal's supporters say that 1m people are expected to take part and that the protesters will burn condoms and literature promoting safe sex.

Dr Flavier has said people are welcome to listen to what the church has to say at the demonstration.

But he believes that unrestricted population growth damages the health and wealth of parents and their numerous children (an estimated 60,000 mothers and babies die each year from problems encountered during pregnancy and childbirth) and depletes the country's already stretched natural resources.

The Philippines' population of 66m is growing by about 2.5 per cent a year, one of the highest rates in Asia. Families with eight or more children are not uncommon.

Palawan, one of the few islands in the archipelago where the forest has not been destroyed, is being invaded by thousands of migrants from other islands searching for farmland.

"Our mountains are denuded, devastated," Dr Flavier said in an interview. "We have erosion. Our rivers are getting polluted, our seas are getting polluted and now our watersheds are being damaged."

Far from being downcast by this gloomy picture, the extrovert Dr Flavier has energetically used every level of the media to put his health messages across – whether they concern birth control, Aids, immunisation or cancer. He plays the buffoon in lowbrow situation comedies on television, is interviewed on serious radio talk shows, and has a column in one of Manila's leading newspapers.

He has often been compared with his friend, Mr Meechai Viravaidya, a former Thai government minister credited with helping to curb Thailand's population growth and the spread of Aids by publicising contraceptives and making them socially acceptable.

His media antics and his family planning propaganda have sometimes enraged conservative Roman Catholics – including the powerful Opus Dei faction – and been criticised by his colleagues for threatening the dignity of the administration.

"The other government officials sort of frown on it," Dr Flavier said. "But my answer is: 'The hell with it, it's effective.'"

Commenting on his television comedy appearances, he adds: "People find it funny and so human that now they identify with our health programmes."

Dr Flavier is popular with the local press and with Filipinos in general, partly because they love show business and partly because he has no background in the corrupt world of what Filipinos call "traditional politics".

For 31 years – until he was appointed by Mr Fidel Ramos two years ago – he worked as a doctor and promoted rural development programmes.

His work in the countryside, where two-thirds of the people live, convinced him that most Filipinos – including, discreetly, many Roman Catholic priests – supported artificial methods of birth control, a view endorsed by recent opinion surveys.

Dr Flavier also discovered how to teach family planning to farmers with what he calls an "agricultural analogy approach". The spacing of children is likened to the spacing of rice plants that allows each plant to prosper.

Acronyms and slogans are popular in the Philippines and Dr Flavier is adept at using them. The best-known is probably the ABC of safe sex. A is for Abstinence; if that does not work, then B is for Be faithful; if fidelity fails as well, then C is for Condom.

With little government money at his disposal, Dr Flavier has turned without hesitation to big businesses to finance some of his projects. Soap companies sponsor hygiene campaigns, and Dr Flavier himself has appeared in a fast food chain's television advertisement that managed to publicise immunisation and hamburgers at the same time.

But only the bravest of corporations would risk the wrath of the church in the Philippines by advertising contraceptives, and much of this family planning work is funded by foreign donors.

The church has been quiet on the topic of contraception in recent months, but Dr Flavier and his allies know that next month's United Nations population conference in Cairo and the Pope's visit to the Philippines next January will be used as a rallying point by anti-birth control activists.

During the last years of the previous administration of Corazon Aquino, a devout Roman Catholic, family planning in the Philippines suffered a setback. Dr Flavier says that 70 per cent of married women of reproductive age either want no more children or want to wait a couple of years before the next child, but only 40 per cent have access to contraceptives.

Mr Ramos is from the Protestant minority, and Dr Flavier goes to church with his Protestant wife, but he says he does not want to make it a religious issue. He advertises natural as well as artificial methods of birth control and allows people make their own choice.

"I've won the media battle," he says. "I will go and work in the field now, and shy away from controversy in the upper crust of society because it's very divisive. At the top we're getting this flak, but below I'm not. Down there in the countryside I have no problem with priests; I have no problem with nuns."

US-N Korean talks to go on

The US and North Korea decided yesterday to continue talks on Pyongyang's nuclear programme at expert level, Frances Williams reports from Geneva. The full delegations meet again today or tomorrow. The experts are discussing what to do about the spent fuel rods decaying at the Yongbyon nuclear complex, and North Korea's offer to freeze its graphite-moderated reactor programme in return for light water reactor technology.

Taslima Nasreen: men are ants

Bangladeshi author flees to Sweden in fear for her life

By Stefan Wagstyl in New Delhi

Ms Taslima Nasreen, the controversial Bangladeshi feminist writer subjected to death threats by Moslem fundamentalists, has fled Bangladesh out of fear for her life.

Ms Nasreen arrived in Sweden yesterday after leaving Bangladesh secretly on Tuesday. Her departure could harm Bangladesh's international reputation by highlighting the fundamentalists' power to inflame popular passions and incite violence.

It could also embroil the government of Mrs Khaleda Zia, the prime minister, in a dangerous row with fundamentalist groups because government officials appear to have helped arrange Ms Nasreen's departure.

Ms Nasreen, 33, a divorced former doctor, urged women to fight for economic, social and sexual equality with men. In one poem, she described men as cockroaches, wasps and poisonous ants.

While these views angered Bangladesh's Moslem clergy, they only became widely known last year after Ms Nasreen published Lajja (Shame), a novel about the plight of Bangladesh's Hindu minority who suffer discrimination from Moslems. The Bangladeshi government banned the book, but it became a best-seller in India.

The final straw for the fundamentalists was the publication of an interview in May in the Indian newspaper The Statesman in which Ms Nasreen was quoted as calling for revision of the Koran. Ms Nasreen said she was misquoted, but radical clerics called for her public execution.

On June 4 the authorities ordered Ms Nasreen's arrest on blasphemy-related charges. Thousands of fundamentalists demonstrated almost daily demanding her punishment. Secular student groups arranged counter-demonstrations. Ms Nasreen went into hiding and surrendered to the courts only last week. For her own protection, she was placed under heavy police guard at her home in Dhaka.

Her departure leaves Bangladesh in turmoil. Yesterday fundamentalist groups, led by Jamaat-e-Islami, the leading Islamic political party, vowed to attack Mrs Zia's government for letting Ms Nasreen leave. Jamaat-e-Islami has had little support from voters, unlike Mrs Zia's Bangladesh National Party and the Awami League, the main opposition party. But this has not stopped Islamic clerics trying to extend their influence.

Menem wants Iran envoy expelled

By John Barham in Buenos Aires

Argentine President Carlos Menem said yesterday that Iran's ambassador to Buenos Aires should be expelled, after a judge had issued arrest warrants for four absent Iranian diplomats over anti-Jewish bomb attacks. However, the final decision lay with the foreign ministry, he said on radio.

Judge Juan José Galeano, on Tuesday night, accused seven Iranians – four former and three current diplomats at Iran's embassy in Buenos Aires – of having participated in the bombing last month of a Jewish community centre and a 1992 attack on the Israeli embassy in Argentina.

The judge also charged three Argentines who are claimed to have unwittingly reconditioned and sold the van used in the bombing. He accused them of having used stolen car parts. One of the charged, Mr Ariel Nitzcaner, is Jewish and a member of the bombed community centre. He claims police tortured him to extract information.

Judge Galeano sent a preliminary report to the Supreme Court on Tuesday asking that it demand the three current diplomats have their immunity from prosecution waived.

Iran's foreign ministry yesterday protested over the arrest warrants to Argentina's *chargé d'affaires* in Tehran, saying the ministry "categorically rejects these baseless and discourteous allegations".

Argentina could take diplomatic action against Tehran if officials refused to co-operate with the investigation, said Mr Guido di Tella, foreign minister. The government would first request that the suspects "appear as witnesses, abandon their immunity, and only then, if they refuse, would we take measures". Possible action includes declaring the diplomats *persona non grata* and ordering a reduction in the number of the embassy staff.

Officials said cutting diplomatic relations with Iran would only be appropriate if investigators established Tehran's direct responsibility in the bombing.

However, a European diplomat said: "Argentina is right that there may well be Iranian involvement but whether they really have enough to prove a case in court is another question." He doubted whether Judge Galeano's findings, based largely on information from an Iranian dissident seeking asylum in Venezuela, was entirely reliable.

Whatever the outcome of the findings, he said Argentina must improve its security and intelligence services, and tighten surveillance of Iranian and Moslem organisations in Argentina.

Senate votes cash to cut Jordan debt

By George Graham in Washington

The US Congress yesterday tossed its contribution into the Middle East peace pot when the Senate voted to set aside money for reducing Jordan's debt.

In voting for final passage of a $13.8bn (£9bn) foreign aid bill, which now goes to President Bill Clinton for signature, the Senate agreed to set aside $99m to reduce Jordan's debt burden.

Mr Clinton promised King Hussein of Jordan relief on $700m of debt, and the Senate vote yesterday will allow him to achieve nearly a third of that.

Peace in the Middle East has always been a central theme in justifying the US aid budget to a reluctant Congress. The debt relief for Jordan, however, has a direct link to the country's decision to end four decades of hostility, while the lion's share of the US aid budget still goes as military assistance to Egypt and Israel.

All told, Israel is allocated $3bn and Egypt $2.1bn, together nearly 40 per cent of the total US aid budget.

The foreign aid bill also includes $50m for emergency assistance to Rwandan refugees. Another $170m of Rwandan aid is to be included in a defence spending bill, and congressional leaders have promised to consider an additional $100m requested by Mr Clinton later this year.

Another measure ends the formal ban on US aid to Vietnam. Although no money is set aside for Vietnam, the step could allow the US Export-Import Bank to provide credits for US businesses there.

Shake-up at the top for Democrats

By Jurek Martin in Washington

The Clinton White House, increasingly anxious about the prospect of losses in November, in congressional mid-term elections, has moved to shake up the top of the national Democratic party.

Mr David Wilhelm will step down as party chairman in November and, meanwhile, he will take a back seat to Mr Tony Coelho, a former rising star in Congress from California, who will serve as a party special adviser.

The decision, finalised at a meeting of Mr Wilhelm and President Bill Clinton on Tuesday, is very much the work of Mr Leon Panetta, now beginning to exert effective control as new White House chief of staff.

In another move, Mr Panetta, also a former congressman from California, was thought likely to recommend that Judge Abner Mikva of the federal appeals court in Washington succeed Mr Lloyd Cutler as White House legal counsel, when the latter's temporary secondment ends, probably next month.

Judge Mikva was a veteran congressman from Illinois before being appointed to the bench by President Jimmy Carter in 1979 and, like Mr Coelho, served on Capitol Hill with Mr Panetta.

Both moves represent the further assertion of the professional Democratic politician over those, such as Mr Wilhelm, heavily involved in Mr Clinton's 1992 presidential campaign.

Mr Wilhelm, who is 37, has presided over losses by the Democrats in state-wide and other elections since Mr Clinton was elected. The prognosis for November is not good, with Republicans expecting to 25 seats or more in the House and hoping to win control of the Senate.

By 1989, Mr Coelho, now 51, was already a House Democratic whip and seemed on track to be Speaker of the House. But he was forced to resign his seat to stave off an ethics investigation of his personal financial dealings. This arose from reports that he had borrowed money from a now defunct Californian savings bank owned by a friend to purchase $100,000 (£65,000) in junk bonds from Mr Michael Milken of Drexel Burnham Lambert. This year, the Justice Department ended its investigation of the junk bond deal without further action.

Mr Coelho is now president of Wertheim, Schroder, the Wall Street investment bank.

A Zapatista guards speakers at the Chiapas convention Picture: Reuter

Mexicans 'will protest' if election fraudulent

Mexico's rebel-organised "democratic convention" in the jungle ended with delegates promising massive civil disobedience and protests if there is fraud in the presidential election on August 21 but rejecting an armed uprising, writes Damian Fraser in Mexico City.

The convention, which ended on Tuesday, was hosted by the Zapatista Army of National Liberation in the Lacandón jungle of the southern state of Chiapas. Some 5,000 delegates from radical and leftist political organisations throughout Mexico participated.

Sub-Comandante Marcos, the rebel spokesman, told delegates that the Zapatistas would not be the first to take up arms. They launched a rebellion in Chiapas in January and still control jungle areas.

The delegates left the jungle pledging to organise meetings and protests in favour of a free vote on August 21. They said they would participate in the elections, and vote against the ruling Institutional Revolutionary Party. Most are expected to vote for Mr Cuauhtémoc Cárdenas, presidential candidate of the main leftist opposition.

● Mr Ernesto Zedillo of the ruling party holds a commanding lead over his nearest rivals, according to a well-regarded national opinion poll. His support stood at 46 per cent, against 19 per cent for Mr Diego Fernández de Cevallos of the centre-right opposition, and 9 per cent for Mr Cárdenas, with 18 per cent undecided.

Sticks and carrots for Venezuela's banks

Selective assistance and pressure is on offer to the troubled financial institutions, writes **Joseph Mann**

Venezuela's government, confronting a third phase of the banking crisis which erupted in January, has refined its approach to dealing with ailing financial institutions.

Instead of providing massive aid to the latest batch of troubled banks, or simply closing them down as it did to others earlier this year, the administration of President Rafel Caldera decided this week to apply a selective programme of assistance and pressure.

The current crop of troubled banks is made up of eight institutions suffering from varying problems, including three of the country's most important commercial banks: Banco de Venezuela, the second-biggest bank, Banco Consolidado and Banco Progreso.

Total deposits at these three banks were $1.7bn (£1.09bn) at the end of June, or about 20 per cent of all commercial bank deposits, excluding those banks in which the government has already intervened.

Other banks in the current crisis are smaller institutions such as Banco República, and Banco Italo-Venezolano, which a group of Venezuelan investors bought from the government in 1991.

Even the new slimmed-down strategy does not come cheap. The government took control of Banco de Venezuela on Monday, appointing its own president and providing about $294m to recapitalise the bank. The bank, now 104 years old, was previously one of the country's most solid and prestigious financial institutions. In mid-1993 it was taken over by a group headed by Mr José Alvarez Stelling, who also controls Banco Consolidado.

The group included Mr Orlando Castro, a Cuban-born Venezuelan whose Latinoamericana group of banking and insurance companies includes Banco Progreso.

The government is providing a total of $429m for Banco Consolidado and Banco Progreso. In return for what the government hopes will be temporary support to these banks, the owners or major stockholders have pledged some of their personal assets as guarantees.

The government is demanding that banks receiving assistance take several measures, including the sale of domestic and foreign assets, mergers (in the case of Progreso and República), and cost reductions.

The administration wants to avoid the impression, at all costs, that it is "giving away" money to wealthy bankers, an image retained by many Venezuelans from the bail-out programme earlier this year.

In the case of some of the smaller banks, the major shareholders have agreed to raise their capital bases on their own, and can thus avoid direct government control.

In contrast to the earlier two crises, the eight banks remain open and, so far, depositors have not panicked.

The government believes it has learned from the previous phases of the banking crisis. The first critical moment came in January, when Banco Latino, then the country's second-largest bank, failed and was taken over by the government. The impact of Latino's closure drained confidence in most of the nation's banking system, caused runs on some institutions and convinced the government that it should provide billions of dollars in assistance to keep ailing banks afloat.

By mid-June, the administration realised that much of its assistance (which reached $6bn to $7bn) was going into a financial black hole. In some cases, major shareholders of banks receiving government aid reportedly used part of the money to pay off obligations held by themselves or associates. In others, government money was being recycled to other weak banks.

At the same time, some banks benefiting from the bail-out cash did not take steps to cut costs, re-capitalise or otherwise improve their financial situation.

On June 14, in the second phase of the crisis, the government intervened and shut eight financial institutions and their subsidiaries. By the end of the month, it assumed *de facto* control over the entire financial system by decree.

The government and the banking sector are trying to convince the public that the latest strategy will work and that no other banks are in danger of failing. Not many people are willing publicly to oppose the administration on this delicate point.

Venezuela has 50 commercial banks, including nine that were taken over earlier this year, and the eight receiving government attention this week.

In the past, owners of many Venezuelan banks were able to operate in an environment where government supervision was ineffective, thus allowing abuses to accumulate.

Poor management, excessively rapid growth in an inflationary environment, huge unsupervised operations offshore and policies such as failing to write off bad loans and making large loans to shareholders and associated companies rank among the key elements.

This was exacerbated by an economic recession that began last year and is deepening. This put heavy pressure on weak loan portfolios.

However, some businessmen and bankers believe that there are other weak financial institutions in the system and that the only way to solve the problem once and for all is to close the doors of troubled banks and liquidate them.

Cubans face questioning in US over hijacking

Twenty-four Cubans accused of hijacking a Cuban government boat were brought to a Florida resort city by the US Coast Guard yesterday to face questioning about its voyage, AP reports from Key West.

The group, which included young men wearing shorts and at least two small children, walked off the Coast Guard cutter early in the afternoon having been detained at sea since they were picked up on Tuesday afternoon.

The Cuban government claimed a naval lieutenant was killed in the boat hijacking on Monday night. But a US Coast Guard official said the refugees insisted no-one was killed and that the purported victim was among those who arrived in Key West.

Doubt was cast on the initial Cuban government claim that a death was caused by the boat hijacking when Mr Alfonso Fraga, head of the Cuban diplomatic mission in Washington, declined to repeat it yesterday at a news conference. Asked repeatedly about the incident, Mr Fraga said he had received no instructions about it from Havana.

The boat hijacking on Monday was the fourth in three weeks, Cuban officials said.

The growing tide of Cubans fleeing the island continued, meanwhile, when a single-engine Cuban utility aircraft carrying 14 members of the same family landed safely in a thunderstorm at Marathon, about 75 miles north of Key West in the Florida Keys. A sheriff's spokeswoman said the pilot had worked for a Cuban crop-dusting company and stole the aircraft from his employers.

All of the Cubans were to be turned over to the US Immigration and Naturalisation Service.

US officials have not prosecuted any Cubans on hijack-related charges since 1980, when three Cubans who seized a fishing vessel at knifepoint were acquitted of kidnapping.

Cubans who have forcibly overpowered crews of boats or aircraft – usually government-owned – are routinely released in south Florida.

Some Cuban exile leaders are speculating that the US government may be cracking down on hijackers because of President Fidel Castro's recent threat to allow unlimited emigration from Cuba to the US, as he did for some 120,000 people in 1980.

Oman hands big gas field to joint venture

By David Lascelles, Resources Editor

Oman yesterday signed an agreement dedicating output of its natural gas fields to Oman Liquefied Natural Gas (ONLG), the joint venture by the state-owned oil company and a consortium of foreign energy companies.

The government of the Gulf state said that the deal represented a milestone in the development of its proposed $9bn liquefied natural gas plan, which is one of the biggest energy projects of the region.

Petroleum Development Oman (PDO), the state-owned oil company, said the agreement "demonstrates the resolve of the government of Oman and its private oil industry partners to progress the project with due speed, and bring the LNG to market as quickly as possible."

The deal, covering 7,000bn cubic feet of proven and recoverable gas reserves, is with Oman Liquefied Natural Gas (OLNG), a company established this year by royal decree and 51 per cent owned by the Oman government. Other partners are Shell (34 per cent), Total (6 per cent), Mitsubishi and Mitsui (3 per cent each), Partex (2 per cent) and Itochu (1 per cent).

The gas fields are owned by the government and operated by PDO.

The LNG plant is to start in the year 2000 with annual output of 6.2m tonnes. Preliminary work will start this year, and pre-qualified contractors will be bidding to build the downstream facilities in the middle of next year, so as to let the contract be awarded in 1996. The plant is to be at Al Ghalilah, near Sur.

The LNG project is the largest industrial enterprise embarked on by Oman. It envisages the production of 900m cu ft of gas a day in central Oman, and transportation over 360km to the liquefication plant where it will be loaded on to specially built tankers for shipment to customers in Asia and southern Europe.

Much of the output is expected to go to Japan, the world's largest importer of LNG.

Oman, whose oil reserves are dwindling, expects that, once the LNG plant is in full operation, the value of its gas business will equal that of oil and eventually overtake it.

A $5m pipeline to transport gas from Oman to India is under consideration.

TNT and Ansett agree to pay record fines for price-fixing

By Emilia Tagaza in Melbourne

Two of Australia's largest transport firms, TNT and its related company, Ansett Transport Industries, were yesterday ordered to pay record fines totalling Aus$5m (US$3.6m) for price-fixing and collusion in the air freight business.

The fines, Aus$4.1m for TNT and $900,000 for Ansett, were the highest so far for anti-competitive business practices in Australia. The previous highest penalty in a trade practices case was Aus$250,000. The highest possible penalty for a corporation under the Trade Practices Act is Aus$10m.

The case was brought against the companies in 1992 by the Trade Practices Commission, the competition watchdog, alleging that the companies had agreed to charge uniform prices for air freight services and not to poach each other's customers.

The commission also alleged the companies deliberately tried to drive new customers back to their original service provider by putting up prices or deliberately providing a poor service. A case was also brought against Mayne Nickless, another major transport group, as well as a number of other individuals.

TNT and Ansett withdrew their defences against the case two weeks ago, citing "purely commercial reasons" but they did not accept guilt or liability. They have also now agreed to pay the fines plus costs of more than Aus$1m.

Mr Fred Miller, TNT chairman, said the company withdrew because of the horrendous legal costs, which would have left TNT paying Aus$17m.

Sumitomo to invest in Kazakh oil

Sumitomo Corporation, the Japanese trading house, is to invest jointly with Preussag, the German mining company, in oil production in Kazakhstan, writes Gerard Baker in Tokyo. They will take a 50 per cent stake, the maximum allowable, in a company jointly established by Yuzhkazneftegaz, Kazakhstan's state-owned oil company, and an undisclosed Canadian company. Production of 25,000 barrels per day is expected from next spring.

China phones deal

Alcatel, the French telecommunications company, said yesterday that its Belgian subsidiary had won contracts worth $161m to supply telephone exchanges and transmission equipment to 24 Chinese provinces, writes John Ridding in Paris.

Mining finance

MacQuarie Bank, the Australian merchant bank in which Britain's Hill Samuel holds a large stake, has formed a joint venture with China's state-owned China National Non-ferrous Metals Industry Corporation to provide financing services to mining projects in China, writes Emilia Tagaza in Melbourne.

Philips expands

Philips, the Netherlands-based electronics group, is to invest Fl 500m ($275m) in boosting production at its plant in the Dutch town of Nijmegen, writes Ronald van de Krol in Amsterdam. The additional capacity is expected to be ready by the end of 1996.

A very faint ripping sound

Jenny Luesby on restructuring in the European textiles industry

If the textile and clothing industry were not dominated by small companies, a restructuring which has seen it account for 30 per cent of manufacturing job losses in the European Union since 1988 might have caused more of a stir.

Instead, with relative quietness, productivity has risen by 25 per cent in the clothing industry and 17 per cent in textiles – against a manufacturing average of 10 per cent – production has been cut, and 600,000 jobs have been shed.

There have been scuffles. A group of senior British industrialists is due to meet Sir Patrick Mayhew, Britain's Northern Ireland secretary, today to try to persuade the British government to withdraw its support for a £157m ($243m) textile plant near Belfast which the industrialists say will lead to further job losses.

But by and large the sector's contraction has been accompanied by little politicking.

Restructuring has brought a slicker, leaner industry, which now faces the phasing out of protective quotas under the Multi-Fibre Arrangement with expectations of a gradual and partial decline, rather than annihilation.

A more severe future was possible. Even with the MFA in place, the industry has been confronted by its inability to compete on cost with producers in low-cost countries, particularly in Asia.

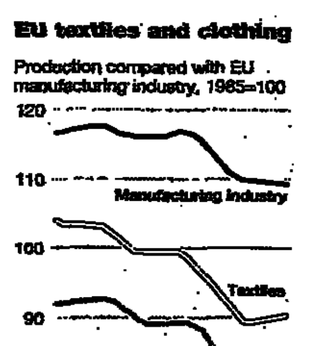
Textile and clothing production has traditionally been labour intensive. European labour is expensive labour. And it is labour costs that have been the main cause of the European industry's loss of competitiveness, concludes a recent study for the European Commission.

As a result, clothing and textile imports into the EU have risen sharply. Excluding imports arising from subcontracting by European producers outside the EU, clothing imports into the EU rose by 80 per cent between 1988 and 1993.

Within textiles, it has been the earliest stages in the production chain and the least technical areas of production that have been hardest hit. European consumption of very basic fabrics, especially synthetic and cotton fabrics, is now dominated by imports. For other fabrics, the loss of market share to imports is progressing up the textiles production chain, with fibre producers the first to suffer, followed by spinners and weavers.

EU textiles and clothing

Production compared with EU manufacturing industry, 1985=100



Source: OETH/European Commission

The finishing and dying of fabrics remains largely unassailed by direct competition because of its greater technological complexity, but it is still feeding a contracting market thanks to the displacement of clothing manufacturers through imports. Moreover, the entire industry has suffered the effects of the European recession. The EU is still the largest market in the world for clothing, and, with more than 50 per cent of textile output sold to clothing producers, the fortunes of textiles and clothing producers are inextricably linked.

Upwards of another 20 per cent of textile output goes to producers of home furnishings and carpets, and a further 20 per cent to industry, much of it to cars and construction.

However, although recovery will help the industry it will not reverse the steady decline in spending on clothing and footwear as a proportion of total consumption.

The industry's response has been two-fold.

Some producers have secured themselves and their markets through targeting niche or high-quality markets unlikely to be satisfied through low-cost mass production. More generally, producers have played to their strengths, in terms of proximity and versatility, by shifting towards just-in-time delivery, in short runs, of products made to customer's own specifications – a trend particularly noticeable in the UK.

Another approach, in which German producers have led the way, has been to move away from integrated production and, instead, subcontract from low-cost countries on the European rim, particularly eastern Europe, but also North Africa and Turkey.

The ending of the MFA, as agreed in the Uruguay Round of world trade talks, is scheduled to take place in four phases over 10 years, beginning on January 1 1995, when 16 per cent of quotas will be removed. Officials from both the European Commission and the General Agreement on Tariffs and Trade foresee little difficulty in identifying this first 16 per cent, although there may be some wrangling within the EU over whether any effective quotas should be offered up, by way of good faith.

Europe will be able to choose which quotas it removes at each stage. And when the phase-out bites harder, as further quotas are removed and existing ones raised at the beginning of 1998, 2002 and 2005, the industry will not be without some safeguards against real injury to markets. Clothing and textiles are to be incorporated into the Gatt, which does allow quotas in cases of serious damage to industries.

But there can be no change to the scale and pace of the phase-out and the end of the arrangement will exacerbate the effects of global trends on the European industry.

By type of product, industry experts Kurt Salmon Associates point to the bed linen and blankets sector as the next to be hit by heavy competition from imports, followed in the second half of the 1990s by the more technologically sophisticated curtain and table linen sectors.

And by country, it will be those producers, predominantly in southern Europe, who have so far escaped the need to restructure because of their lower costs, that will be hardest hit.

However, for Europe's textile negotiators, the lifting of the MFA is barely a hardship at all. They have the huge growth in exports from China to worry about – and that was never covered by the MFA.

Fishermen accuse Royal Navy in Biscay tuna row

By Deborah Hargreaves

Cornish fishermen clashed with the Ministry of Agriculture yesterday when they complained that the Royal Navy was harrassing British trawlers fishing for tuna in the Bay of Biscay instead of protecting them from the Spanish.

The clash came as agriculture ministry officials said they were still considering whether to take legal action against the Charisma, a Cornish trawler, which was found to have exceeded European Union rules on the length of its drift net at the weekend.

Fisheries protection vessels from the Navy last week confiscated the Charisma's nets and issued a caution to another boat, the Alice Louise, alleged to have exceeded the legal length of 2.5km.

The Charisma's nets were found to have exceeded the limit by 160 metres. Fishermens' representatives claimed this was within a 5 to 10 per cent allowance for stretching to occur at sea. However, a ministry official said yesterday this was a "fallacy." He said legal action which could result in a fine is still under consideration.

The Alice Louise yesterday set sale for the Bay of Biscay again.

An official from the ministry of agriculture said the Alice Louise's nets had been measured at sea by inspectors from the European Commission, but had appeared to be within the legal limit. When they were measured again by British inspectors they were found to be over the limit and the skipper was cautioned.

Yesterday the French Navy ordered a French vessel back to the port of Brest for allegedly using illegal nets. Spanish fishermen had complained to EU inspectors that three French boats were exceeding the net limits.

Last week angry Spanish fishermen slashed the nets of British vessels which they believed were fishing illegally.

Mr Paul Tyler, MP for Cornwall North said: "The suspicion among Cornish fishermen, and rightly so I believe, is the ministry [of agriculture] is not operating on our behalf, but appears to be acting as the watchdogs of the Spanish government. It really does seem as if the Navy are under instruction to watch our fishing fleet like hawks and yet turn a blind eye to what the Spanish were up to last week," he told BBC Radio news.

But Lieutenant Commander Andrew Edney, speaking from HMS Anglesey, said the Fishery Protection Squadron's two main tasks were to protect British fishermen and to protect fish stocks through enforcement of international legislation.

"This is being done in exactly the same way as in UK waters," he said.

Growth reported in all regions

By Philip Coggan

Manufacturers in all regions of the UK are enjoying growth, according to a survey released yesterday by the Confederation of British Industry and Business Strategies.

For the first time since the survey began in July 1988, all 11 regions reported increases in business optimism, orders and output. The report is compiled from the CBI's national quarterly industrial trends survey, released last month.

Expectations for new orders and increased output over the next four months are highest in Wales and the region with the greatest level of business optimism is Northern Ireland.

Business Strategies said it was significant that manufacturing appeared to be healthy in the two key regions of the east and west Midlands.

The regions which showed the smallest improvements, according to the report, were the north west, the north, Scotland and the south west.

The improvement in business prospects has done little to boost the employment outlook, however.

Racy marque of distinction seeks mainstream market

Kevin Done looks at sports car maker Aston Martin's attempt to establish a new image

It may take a long time before it can rival Ferrari, but Aston Martin Lagonda is seeking to move into the fast lane of the world luxury sports car market.

"We are making the break from being a low volume cottage industry to becoming a mainstream specialist carmaker," says Mr Nick Fry, Aston Martin Lagonda managing director.

The transformation is being fuelled by finance and expertise from Ford, the world's second largest vehicle producer, which acquired an initial 75 per cent stake in 1987 and took over the outstanding minority shareholding earlier this year from the Livanos Greek shipping family.

Often loss-making and with a chequered ownership history after the end of its golden age in 1972 with its sale by David Brown, Aston Martin is effectively being relaunched.

The introduction in the autumn of the DB7 sports car is set to increase production next year more than fivefold to around 800 from only 144 in 1993.

That is only the first stage in the planned comeback of one of the illustrious marques of the British motor industry. "It is critical to have more than one model line," says Mr Fry, "our volume was so small, we could never become a credible carmaker."

Production of the traditional, handcrafted Vantage and Volante sports cars will continue in small numbers at Aston Martin's cramped Newport Pagnell headquarters, but the company's expansion is being carried out at a new plant at Bloxham, near Banbury in Oxfordshire, which it has recently taken over from JaguarSport.

The Bloxham plant will assemble the DB7 with output of 150 planned by the end of the year rising to nearly 700 in 1995.

But Aston Martin is then planning to follow the DB7 with a four-door, four-seat sports saloon which is pencilled into the development programme for launch in 1998/99. Total output could then exceed 1,500 a year.

This car, which will be modelled on the Lagonda Vignale concept car unveiled at Geneva motor show last year, is not yet an approved programme, but the final go-ahead is expected from Ford next year.

"Within the company we have a clear consensus that we need a second model and that Vignale is the model," says Mr John Oldfield, who joined Aston Martin from Ford of Europe as executive chairman in February. "If we can put together the right programme, it could be in production in four years."

Aston Martin continued to stumble for the first couple of years under Ford ownership, but recently the US carmaker has taken a far more rigorous approach, as it began to inject serious sums of money. Aston Martin was refinanced last year with £50m in new equity.

A large part of the current Aston Martin senior management has come directly from Ford, most recently Mr Oldfield, previously Ford's top engineer in Europe.

The board has been revitalised and now includes Mr Jackie Stewart, the former Formula 1 world champion who has worked on developing the ride and handling of the DB7, and Mr Nick Scheele, chairman and chief executive of Jaguar, from which various parts are being drawn.

An important part of the expansion of Aston Martin will be the development of its worldwide dealer network which is planned to grow from 42 at the beginning of 1991 to more than 100 by the end of 1995.

The DB7 will not be launched in the US until the beginning of 1996, by which time it will be equipped with both driver and passenger side airbags, but the company is already putting a lot of effort into market research and the recruitment of new dealers. It is seeking to increase the number of its dealers in North America from 12 at present to around 30.

Aston Martin is planning to sell around 35 per cent of the output of the DB7 in North America and is hoping that the new car will greatly reduce its dependence on the UK market. It is also seeking to establish much more of a presence in continental European and Asia/Pacific markets.

The biggest image boost may come at little cost, however. Aston Martin has an outline agreement – but no final contract yet – for the DB7 to be used in the next James Bond film, Goldeneye, starring Pierce Brosnan in the latest incarnation of special agent 007.

Britain in brief

Trials on new cancer drug 'Daca'

Medical charity Cancer Research Campaign has joined forces with Slough biotechnology company Xenova to develop a new cancer drug.

The charity's technology transfer arm, Cancer Research Campaign Technology, has sold the worldwide marketing rights to the drug, Daca, in return for a series of cash payments and royalties should the drug be marketed.

The cash payments are based on the progress of the drug through trials up to a maximum of £1.7m.

If clinical trials go according to plan, the drug could be approved at the end of the decade.

Stockbroker Lehman Brothers estimates that it may generate $250m in sales eventually.

But Daca is still in the early stages of development from which, statistically, less than one quarter of drugs make it to the market.

Hamburg ferry link restored

After a break of 40 years, a regular freight and passenger service between Hull on the east coast of England and Hamburg, Germany, has been revived.

The twice-weekly service by the motor vessel Hornlink (2,183 tonnes) will carry passengers, cars, containers and roll-on roll-off freight. The service saves travellers to Germany a 300 mile overland trip from Rotterdam, which has been the only sea route available from Hull.

The Hornlink is owned by the Horn-Line company of Hamburg and the UK agents are John Good & Sons (Shipping) Ltd. of Hull.

Shell and Esso get go-ahead

Shell and Esso have received the government go-ahead to develop the sub-sea Pelican oil and gas field in the northern section of the North Sea. The £360m project, due to come on stream in 1996, will produce an estimated 58m barrels of oil and 30bn cu ft of gas.

About £100m of the cost is to refurbish the Cormorant Alpha platform five miles to the north which will act as host to the underwater facility and enable overall costs to be kept down.

Farmers get mad cow advice

The Ministry of Agriculture last night announced measures to help farmers struggling to cope with new European Union restrictions on British carcase beef exports aimed at stopping the spread of "mad cow disease."

The ministry said it could give potential exporters the names and addresses of farms which have not had a case of the disease, bovine spongiform encephalopathy, during the past six years. This will make it easier for them to trace the history of their animals and discover whether they are fit for export.

However, animals cleared for export are still expected to be in a minority because BSE has affected over half the dairy herds in the UK.

Milford Haven recovers output

The Milford Haven refinery damaged by fire last month will resume partial operation next month and full production in October.

Texaco said that refining would not begin until the flare system was fully operational. This would involve making new parts which would be ready by the end of this month. The cost of the repair is also being evaluated.

Clarke ready for rate move

Mr Kenneth Clarke, the chancellor of the exchequer, has agreed that it will be necessary to raise interest rates "promptly when signs of inflationary pressures emerge" minutes of his July 6 meeting with Mr Eddie George, the Bank of England governor show.

Both men agreed that the time for a base rate increase from 5.25 per cent had not been reached.

Although Mr Clarke agreed that "interest rates might have to be raised sooner or later", and appeared to be slightly more receptive to the idea of monetary tightening than in the past, his overall approach continued to be more relaxed than that of Mr George.

Broker wins dismissal case

A female City broker who claimed she was sacked after spurning the advances of a senior manager won £18,000 in damages in her case for sexual discrimination and unfair dismissal, an industrial tribunal ruled yesterday.

Miss Samantha Phillips, an aviation insurance broker for Willis Corroon, won £13,500 in damages for unfair dismissal and £4,500 in damages for injury to feelings after an industrial tribunal in Croydon, south London said the company "would not have acted so unfavourably in the case of a male".

The tribunal only awarded Miss Phillips 75 per cent of full damages for unfair dismissal because it said she "behaved unwisely, foolishly and irresponsibly".

Bias found against jobless

Employers are very reluctant to hire professional and managerial staff unless they have a job already, says a major industry survey published today.

Montrose Technical Recruitment, the construction industry's biggest recruitment agency, said that 93 per cent of employers "would rather appoint candidates who are currently employed elsewhere even though the recession has forced redundancy upon many through no fault of their own".

THE
WALPOLE
COMMITTEE

British Excellence and Quality

AN OCCASIONAL SERIES

Chewton Glen

The only privately owned 5 red star hotel in Britain.

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Chewton Glen's internationally acclaimed restaurant is the jewel in the crown. Pierre Chevillard's dishes delight the palates of countless gourmets and his reputation for exciting and creative cuisine is well deserved. The wine cellar and wine list were recently voted Best in Europe by the Association of French Food and Wine journalists.

Seeing is believing, and words alone cannot do justice to all that is Chewton Glen. A visit to this unique and beautiful hotel is a rich experience.

The Committee, which was established in 1992, aims to focus attention on British excellence, style, craftsmanship, innovation and service. These are qualities which all its members share and for which British products and services are renowned around the world.

For further information, please contact:

The Director, The Walpole Committee, 40 Charles Street, London W1X 7PB, England. Tel: +44 71 495 3219 Fax: +44 71 495 3220

MANAGEMENT: MARKETING AND ADVERTISING

Motoko Rich examines the speedy arrival of Ben & Jerry's ice cream in Britain

Chunky Monkey invasion

Only four months after its launch in Selfridges, a top London store, Ben & Jerry's, the popular US ice cream, seems well on the way to becoming the "other" premium brand in the UK.

Since May, flavours such as Chunky Monkey, New York Super Fudge Chunk and Rainforest Crunch have leapt into more than 300 independent speciality food shops, convenience stores and news agents within the greater London area and more than 60 J Sainsbury supermarkets around the country.

The company's socially-conscious, wacky image, combined with its recent decision to compromise its idealistic pay policy as it searches for a new chief executive, has propelled Ben & Jerry's into the limelight during one of the hottest UK summers on record.

But the company's quick success in penetrating the premium, or adult, ice cream market has come largely at the instigation of Britain's Loseley Ice Cream, currently the second largest brand in the sector after Häagen-Dazs, though with a declining share.

Loseley is the sole importer and main distributor for Ben & Jerry's in the UK. Through its established relationships with specialist food shops in London and the south-east, plus department stores and supermarket chains, Loseley has been able to help Ben & Jerry's break into the £113m premium market.

The decision to act as distributor for a product which at first glance appears to be a direct competitor may seem foolhardy. But Tudor Dairies, a non-dairy ice cream manufacturer which acquired Loseley in January, believes that Ben & Jerry's complements, rather than competes with, the Loseley brand.

Rainforest Crunch to go: Ben Cohen, left, and Jerry Greenfield. More than 300 London stores now stock their ice cream

Where Loseley produces quintessentially English, fruit-based flavours, Ben & Jerry's concentrates on chunks, preferably chocolate. "As far as I am concerned, the only way I get into fruit is if you mix it with some chocolate," says Ben Cohen, co-founder and chairman.

Loseley's ready-made distribution network gave Ben & Jerry's a leg up on Häagen-Dazs, which built its retail relationships from scratch when it entered the UK in 1989. "In order to come in as Häagen-Dazs did five years ago would have cost a fortune and taken a considerable amount of time," says David Rapkins, managing director of Loseley Ice Cream. "We could offer immediate access."

For Loseley, selling Ben & Jerry's is the best way to become an important player in the premium ice cream market. "This is part of our strategy to become a specialist ice cream distributor as much as a manufacturer," says Rapkins, a member of the original management buy-out team which bought Tudor Dairies in 1990.

"Whilst there was a lot of potential for the Loseley brand, we thought we needed to compete directly with Häagen-Dazs by developing the American end of the market, and we knew Ben & Jerry's was its closest competitor in the US."

For Ben & Jerry's, "it is not possible for us, being based in the US, to physically get the ice cream direct to grocers, so we need to work through a distributor," says Cohen.

Selfridge's negotiated an exclusive launch deal for the month of April but Loseley took over as the roll-out continued through independents, convenience store chains and Sainsbury's, which is currently the only supermarket chain to carry Ben & Jerry's.

Loseley has contracted out the distribution of the ice cream to convenience stores such as Europa, Cullens and 7-Eleven to Regale Foods, a Kent-based food distribution company. But Loseley's six-person sales team has made all the deals with independently owned shops.

Häagen-Dazs leads the UK premium sector with more than 30 per cent of the market, with Loseley coming in second at around 9 per cent. Loseley believes that Ben & Jerry's will hit sales in excess of £3m and, having expanded to the Midlands in the next few months, command around 4 per cent of the UK market by the end of the year.

Nicola Chilton, marketing manager for the UK and Scandinavia at Häagen-Dazs, says it is much too soon to assess the Ben & Jerry's effect. "We are having one of our best summers yet," she says.

In the US, Ben & Jerry's "caring capitalist" image has helped increase business.

The company donates 7.5 per cent of its pre-tax profits to non-profit organisations. It is already transferring that policy to the UK, where Sainsbury's yesterday launched a campaign to donate 10 per cent of the profits from sales of Ben & Jerry's during the next two weeks to the Children's Society.

"The charity element is what has got them a lot of coverage and we are happy to share Ben & Jerry's commitment," a Sainsbury's spokesman said.

"But I suspect it is not a real motive for buying ice cream. It is just ice cream without the guilty conscience."

An 'adult' double scoop

Adult ice cream is the name given by analysts to the sub-sector of the ice cream market into which Ben & Jerry's has launched in the UK. That X-certificate rating has nothing to do with the advertising of Häagen-Dazs, the leader in the field of take-home brands, but reflects the fact that adult ice cream is a luxury product sold at premium prices, and is usually considered beyond children's pockets.

Purchasers are most likely to be 25-44-year-old ABC1s living in London and the south-east, although there are some indications that teenagers and children are starting to demand their share, too.

The adult sector has been the main source of growth for the ice cream industry in recent years, and looks set to remain so, particularly if the current rate of product innovation can be maintained.

Overall, consumers spent more than £850m on ice cream in 1993 – a 5 per cent increase on the previous year, and a 20 per cent growth during five years, according to the market research group Euromonitor*. Of that, the adult sector was worth £113m in 1993, an 11.8 per cent increase on the previous year. In 1989, premium products made up 7.5 per cent of retail sales; last year the proportion had grown to 13.2 per cent.

Two main and distinct markets operate in ice cream sales: take-home, which accounts for almost 53 per cent, and wrapped "impulse" buys which make up nearly 36 per cent. The balance is accounted for by "scoop" sales from ice cream vans and stands.

Both main markets have been revitalised by the adult products. Among wrapped impulse products, Mars was first in the field in 1989, with its ice cream chocolate bars – a smart move which, as Euromonitor observes, sidestepped a great deal of brand building. Competitors soon copied the trick. Unilever's Wall's held leading position in 1993 in the impulse sector with a 45 per cent share.

Interest in these products crossed over into the take-home market, where a small premium sector, led by Loseley, was ripe for development. Häagen-Dazs, with its sensuous advertising and "dedicated to pleasure" slogan burst on to the scene. The Grand Metropolitan-owned brand took the lead in the take-home market, as luxury products pushed aside economy tubs.

Now Häagen-Dazs faces increased competition, particularly from Ben & Jerry's, and the launch this year of Ranieri Wall's.

Growth is set to continue, according to Euromonitor, predicting a rate of 10 per cent a year during the next five years.

Diane Summers

**Adult Ice Cream, Market Research GB, July issue. By subscription. Euromonitor, 87-88 Turnmill St, London EC1M 5QU.*

Granting an end to food trade gap

Farmers and markets are drawing closer, writes **Deborah Hargreaves**

When the first lorry load of lettuces passed through the Channel Tunnel in early July, Michael Jack, Britain's horticulture minister, hailed a breakthrough for the UK's vegetable industry.

The lettuces and celery from G's Fresh Salads in Cambridgeshire were bound for a Belgian supermarket, Delhaize le Lion, as one of the company's and, indeed, the UK's first deliveries of fresh produce direct to a continental chain.

The export order grew out of an effort by John Major, the prime minister. A seminar at 10 Downing Street in January last year tried to bridge the UK's £5.6bn food and drink trade gap. Grants from the Ministry of Agriculture, to help farmers' co-operatives and small food companies get closer to the market, followed.

G's Fresh Salads received a grant of £105,000 for three years. The grant helps pay for a full-time export manager. The company's sales overseas have grown from £2m last year to an expected £3m this year.

"It has enabled us to be much more highly organised and to get out and see our customers to find out what they want," says John Shropshire, managing director. "We have taken on people with language skills to cover virtually the whole of the continent."

Long insulated from the vagaries of the marketplace by guaranteed prices under the Common Agricultural Policy, Britain's farmers are often out of touch with what their customers want.

"Primary producers are masterly at planning production, but their marketing skills are undeveloped, particularly when they are producing an undifferentiated product," according to Gillian Shephard, former agriculture minister, who launched the £10m marketing grants scheme in June.

George Ray, who runs Central Egg Agency, a farmers' egg co-operative in Solihull, handles a product that is difficult to differentiate unless by stressing the high health standards imposed on battery egg production in the UK. He sought a way of selling surplus eggs on the world market when the UK is over-producing.

"Before, these eggs would just be dumped abroad at low prices by wholesalers who wanted to get rid of them," he said.

Ray has used his grant to launch an export drive by which the eggs are marketed overseas before the surplus arises, allowing deliveries to be as fresh as possible. He has cut out the middle man, making direct contact with customers. "We've been going for nine months and we've far exceeded any expectations," he says. He sends eggs to the Netherlands and Spain and hopes to break into the Hong Kong market. The grant pays half of the salary for an export manager and half his travelling expenses.

For many small companies and farmers' co-operatives wishing to tap the export market, the grant provides the resources for a marketing drive. The grant can help organisations sharpen skills and re-direct their marketing efforts.

Stuart Edwards, managing director at Fenmarc Produce in Cambridgeshire, is using the money to organise three groups of potato growers in anticipation of the demise of the central Potato Marketing Board.

Edwards has identified north Lincolnshire, north Norfolk, and Herefordshire as the areas with soil suitable for growing the type of potatoes he wants when the PMB is dismantled. The PMB, which sets quotas for growers, is due to be abolished in 1997, but potato producers are calling for the market to be deregulated before then.

"We are not making any dramatic changes, but we are starting to become closer to our growers so that we can relay to them the needs of the customer," Edwards said. That means encouraging farmers to grow varieties for harvest at specific times of the year.

Some farmers still have to be convinced that better marketing will help sell their produce. To try to overcome innate conservatism, the National Farmers Union is conducting a study into how producers might best use the grants scheme. As one official says: "We can't eliminate the food trade gap overnight, but we have to realise we're in the single European market now."

PEOPLE

They're all coming to Cymru

All but one of the top jobs at the revamped Welsh Development Agency have been filled with the appointment of Derek Perkins (right) as head of its north American operation.

Perkins replaces Ivor Simpson, whose three-year contract is not being renewed. North America is a crucial target in the government-funded agency's attempts to woo inward investment. There is a presumption that the new senior management has been dissatisfied with the US performance.

The headquarters is to be moved from Princeton to Boston. James Turner, managing director for the WDA's international division, explains: "Our research has shown that Boston and the north-east seaboard area is one of the best regions for potential inward investment to Wales. It contains the largest concentration of any US region of large, growth-minded companies in the high-technology field."

Turner himself is a recent arrival at the agency – he joined in May after a career which included working for Mars GMbH in Germany, Citibank and Prudential Assurance, where he was sales development director.

Perkins, who was the WDA's regional director for south-west Wales and previously responsible for the North American inward investment team in Cardiff, takes the title of executive vice-president.

His appointment means that the new brooms at the WDA, chairman David Rowe-Beddoe and chief executive Barry Hartop, who have the task of restoring the agency's damaged reputation, are close to completing a slimmer and more devolved structure. With the exception of Perkins, they have recruited from outside the agency for all the senior posts.

About 80 of the 400 staff have been warned that they may lose their jobs. Among the confirmed casualties is David Farnsworth, whose job as director of the development projects division disappeared under the restructuring. Ian Rooks, formerly marketing director, who was disciplined after the Commons public accounts committee criticised the agency last year, has also left.

Two of the three managing directors for the new regional structure in Wales – which is intended to allow for the delegation of more responsibility from the WDA's headquarters in Cardiff – have been appointed.

Elfed Evans, formerly district general manager for British Gas, has been made managing director of the west Wales division. Enid Rowlands, who was chief executive of Targed, the training and enterprise council in north-west Wales, becomes managing director for the north region. The post of the south Wales managing director has yet to be filled.

Two other senior appointments have been made this week. Susan Hughes, from Shreeveport, a management and marketing consultancy, becomes marketing services director. Julie Banfield, business development manager at National Westminster Bank, becomes customer services director.

Coca-Cola Great Britain and Ireland has appointed a new consumer marketing director, George Bradt (left), currently director of marketing and sales with Disney Development Company in the US.

Bradt, 36, succeeds Steve Jones, who is moving to Coca-Cola Japan in Tokyo.

Bradt is taking on responsibility for all marketing in the UK and Ireland for Coca-Cola, Diet Coke, and other brands such as Fanta, Lilt and Sprite, at a time of increasing competition in the market. The launch of its own-label Classic Cola by the UK's biggest food retailer J. Sainsbury in a blaze of media publicity in April prompted Coca-Cola to step up its already high-profile marketing campaigns.

Bradt says a priority will be to try to increase the size of the total UK market for soft drinks. Coca-Cola, he says, needs to find "new ways to meet consumer needs in a market which still has a lower per capita consumption of soft drinks than countries such as Germany and the USA".

This is Bradt's first post in the UK, but before joining Disney he worked for companies such as Pollio Dairy Products, part of Kraft, Procter & Gamble, and Lever Brothers.

Sheard's mystery departure from F&C

The fund management community is now pondering exactly what internal rules were broken by 26-year-old Daniel Sheard, the rising star at Foreign and Colonial who ran its high-profile Higher Income Plan.

Last Friday, F&C sent a letter to independent financial advisers, who have been selling the product particularly to elderly clients, advising them that Sheard had "committed a breach of well-established procedures" and, as a result, had resigned.

Moreover, Imro, the self-regulatory body for the fund management industry, has been notified of the breach and may have to decide whether Sheard ought to be drummed out of the industry as "not fit and proper".

The fund, which aims to give investors roughly 9 per cent return on their investments, invests in equities, cash and debentures with equity kickers.

F&C informed the advisers because it feared that word of the sacking of a high-profile fund manager would leak out and the salesmen would be inundated with calls from concerned investors, according to Simon James, F&C's managing director.

But Sheard's offence still remains a mystery. James says "it wasn't a fingers-in-the-till kind of thing," and that no investors have lost money as a result. The "action" was a single event which was spotted by a colleague who noticed something wasn't quite right. When confronted, Sheard owned up immediately.

"He has behaved impeccably," James says, adding: "We feel Daniel is a very talented guy."

Management of the fund is to be taken over by Sheard's boss John Monckton, and by a colleague who ran a parallel fund for offshore investors.

Non-executive directors

- Peter Clarke, former chairman of Greenall's drinks and leisure division, at JARVIS PORTER.
- Douglas Rogers has resigned from LINREAD.
- Michael Baughan, md of Lazard Brothers, at SCAPA GROUP.
- Sir Christopher Leaver, vice-chairman of Thames Water and a former Lord Mayor of London, at UNIONAMERICA HOLDINGS.
- Fred Grant, former chairman and chief executive of Adwest, at J. SAVILLE GORDON GROUP; Sir Anthony Beaumont-Dark becomes deputy chairman.
- Sir Kit McMahon (below), former deputy governor of the Bank of England, at F.I. GROUP.

CONTRACTS & TENDERS

PETROLEO BRASILEIRO S.A. - PETROBRAS

PUBLIC ANNOUNCEMENT
NR 570.9.413.94

INTERNATIONAL BID FOR CHARTERING AND OPERATION OF VESSELS FOR CARAVELA FIELD, SANTOS BASIN, SOUTH BRAZIL

PETROBRAS - PETROLEO BRASILEIRO S.A. is postponing the proposals delivery date from 08-12-94 to 09-22-94. further information is available at:

PETROLEO BRASILEIRO S.A.
Rua General Canabarro, 500-9 andar
Maracana - Rio de Janeiro - RJ
CEP: 20271-201
PHONE: 055-021-5665411 Fax: 055-021-5665125

LEGAL NOTICES

No. 003329 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
UNICHEM PLC
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 13 July, 1994 confirming the cancellation of the Share Premium Account of the above named Company in the sum of £17,022,361.76 was registered by the Registrar of Companies on 21st July 1994.
Dated this 11 day of August 1994
Rakisons
27 Chancery Lane, London WC2A 2NP
Solicitors for the above-named Company

TECHNOLOGY

Promise of power

Tom Foremski looks at the next generation of computers which will have vastly increased performance

You can never be too rich or too thin, the saying goes. And in the computer world you can never have too much computer power or memory – which forces microprocessor manufacturers into an increasingly expensive quest for technologies that will bring greater performance.

The ambitious goal of the recent alliance between US electronics giants Intel and Hewlett-Packard is to develop a microprocessor that will perform 10 times faster than current microprocessors.

These next-generation microprocessors will be used in PCs with the performance of today's supercomputers. Computer-intensive tasks such as speech and handwriting recognition will allow people to communicate easily with their computers, while the machines process vast volumes of data in the form of three-dimensional, high-resolution graphics and manipulate massive database files. Virtual reality systems will be as common in business settings as they will be in home entertainment systems. And the new computer power available will create applications not yet envisaged.

But to reach this stage, vast investment in research and development and expertise in a large number of different areas will be needed. It will also mean correctly identifying the technologies to enable such a large increase in performance.

The alliance of Intel and HP has focused attention on a little-known technology called Very Long Instruction Word (VLIW). Both companies say VLIW may be one of the technologies included in their future microprocessors.

Most PCs use a type of microprocessor design called complex instruction set computer (Cisc), a design with its roots in the 1970s. As memory chips became cheaper in the 1980s, researchers found they could make microprocessors more efficient if they simplified the design and let the system software handle more of the complexity in analysing and executing the programs. These types of microprocessors are known as reduced instruction set computer (Risc) and are typically found in high-performance workstations and are gradually emerging in PCs through products such as Apple Computer's Power Macintosh computers.

VLIW offers to take this process a step further by making the microprocessor design very simple and using special software known as software compilers to analyse the programs and feed the code rapidly into the microprocessor.

HP has made the biggest investment in VLIW, which was first pioneered by the now defunct computer company Multiflow in the mid-1980s.

HP's focus is to improve superscalar functions in microprocessors. Superscalar means that a microprocessor can handle more than one task or instruction within a time period or cycle. Some CISC microprocessors can take several cycles to process a single instruction. But superscalar microprocessors, such as the Intel Pentium or the PowerPC from IBM and Motorola, can handle two or more instructions in one cycle, greatly improving microprocessor speeds.

HP is hoping to go beyond current superscalar designs with a microprocessor design it calls "super parallel". Super parallel microprocessors could process as many as 32 instructions per cycle.

Intel and HP are not the only companies interested in VLIW. IBM says it has several patents on VLIW technology and is considering including the technology in its future microprocessors.

But not everyone is convinced that VLIW is the way forward. IBM, Motorola and Apple Computer formed an alliance, called PowerPC, three years ago to develop high-performance RISC microprocessors. The alliance created the Somerset Design Centre in Austin, Texas, staffed with several hundred top chip designers.

Russell Stanphill, co-director of the Somerset Design Centre, says that developing radically different microprocessor architectures may be premature. "I believe that RISC technology has a long way to go before we run into limitations – Risc is still in its infancy. There are also questions about whether VLIW is a good approach. Does it make sense to give the compiler such a massive task to do?"

Linley Gwennap, industry analyst and editor of The Microprocessor Report, claims other companies might ignore VLIW and take a different approach. "You could choose a multi-processor chip approach that would ensure easier backward software compatibility. Or reconfigurable microprocessors where you use gate array technology to reconfigure your microprocessor for specific tasks."

But whichever technology is chosen, developing new microprocessor designs and manufacturing them is increasingly expensive. Apart from the R&D expense, building a microprocessor factory can cost $1bn (£600m) It is a job that Intel, the world's richest and largest microprocessor manufacturer, cannot handle alone. Its alliance with HP gives Intel access to HP's Risc microprocessor technology, its software compilers and its large customer base – while HP taps into Intel's chip manufacturing skills.

"This alliance raises the stakes in the microprocessor market. It will be very expensive to develop the next generation of microprocessors and it's clear that some companies won't make it," says Gwennap.

Microprocessor manufacturers must not only develop faster designs but also ensure they can get the economies of scale to match Intel which intends to manufacture tens of millions of microprocessors.

Sun Microsystems has already teamed up with Fujitsu, with the two companies pledging to spend more than $500m improving the Sparc microprocessor architecture.

Digital Equipment Corporation's Alpha microprocessor faces the biggest challenge, according to Gwennap: "Digital lacks the economies of scale needed." For Alpha to survive into the next decade, Digital will need to find able partners.

Silicon Graphics, which produces the Mips Risc microprocessor, is hoping to obtain the economies of scale required by designing its microprocessor into a potentially large market for set-top TV boxes that will act as gateways to "information superhighways".

Intel clone manufacturers, such as Advanced Micro Devices and Cyrix claim they will be able to match whatever Intel produces. But while microprocessor design moves towards less complexity, paradoxically, the size of the microprocessor chips grows larger as additional system functions are placed on the same chip.

INTERNATIONAL AIDS CONFERENCE

Triple therapy offers high-cost hope

Paul Abrahams reports on the struggle for resistance

Aids

At nearly every presentation on the effectiveness of HIV drug therapies at the 10th International Conference on Aids this week, one of the biggest concerns to have emerged is resistance.

The rapid speed at which the virus replicates, and the frequency with which it mutates, mean that HIV can alter itself extraordinarily fast and can, therefore, side-step the drugs administered to stop it. The result is that even the latest and most promising medicines, such as protease inhibitors, are likely to work for only a limited time.

Joseph Vacca of Merck explained that his company's protease inhibitor L-735524 can almost eliminate the virus from the blood within two weeks.

But after only four weeks, the levels start to rise again as the virus builds up resistance.

One possible solution is to use a combination of drugs. Miklos Salgo, director of virological therapeutic research at Roche, showed that when saquinavir, the protease inhibitor also known as Invirase, was used on its own, resistance built up quite quickly. But when used in combination with other medicines, the deterioration in performance was much less rapid.

The theory is that the chances of the virus finding the right mutation to overcome two drugs is less than those of overwhelming one. And the chances of the virus beating three treatments are even smaller.

Pharmaceuticals groups are now busy preparing to test such triple therapies. The main problem with such treatment, however, even if it does turn out to be effective, will be one of cost.

In those countries able to afford available therapies, many patients are only able to gain access to such medicines with the assistance of governments, or by means of compassionate programmes set up by the drugs groups themselves.

The already large gap between cost and financial resources is likely to widen. Stefano Vella of the Istituto Superiore Di Sanéta in Italy has suggested that the development of polymerase chain reaction technology, which permits doctors to estimate the level of virus in the blood, could allow physicians to monitor regularly the effectiveness of treatments. That would allow them to chop and change multiple therapies for maximum effect.

While such therapy may improve survival and quality of life of Aids and HIV-positive patients, the cost implications of such individual therapy are horrific and could undermine many governments' recent healthcare cost-containment efforts.

The cost of available therapies is already beyond the means of the vast majority of HIV-positive and Aids patients – those who live in the developing world.

Retrovir, the leading Aids therapy, costs more than $2,500 (£1,600) a year. That compares with annual healthcare expenditure of between $5 and $10 per capita.

The most cost-effective form of healthcare is undoubtedly vaccination. But the international Aids vaccine programme has hit the buffers because the US National Institute of Allergy and Infectious Diseases decided this summer not to go ahead with large-scale trials that would prove the effectiveness of an HIV vaccine. The reasons for the institute's decision were complicated. However, recent data suggested that although the vaccines could create immunity for HIV strains in the laboratory, it was unlikely to disable those in the real world.

The institute decided the risks of the trial – possible HIV infection by administering the vaccine, and the danger that those vaccinated might assume they were immune and so undertake more risky behaviour – outweighed the benefits.

Dani Bolognesi of Duke University Medical Centre in North Carolina said the consequences of the decision were far reaching. For the US, it meant that trials would be delayed for between one and three years.

For the rest of the world, and particularly for the developing world, the US decision has created a desperate dilemma. The WHO had been planning to test the vaccine in Brazil, Thailand, Uganda and Rwanda (which is now impracticable).

The Brazilian government initially refused to participate because it was worried its citizens were being used as guinea-pigs. Its concerns, and those of other countries, that vaccines not safe or effective enough for the first world could be dumped on third world volunteers, are likely to be heightened.

However, African speakers were vehement in their support for the trials. Edward Mbidde from Mulago Hospital in Uganda said the risk-benefit equation was different in Africa from the US. In Africa there was no alternative to a vaccine: increased use of condoms, clinics for sexually transmitted diseases, education and counselling would never be affordable in Africa, he said. A vaccine was the continent's only hope. The only way to test whether it worked was to start trials.

Natth Bhamarapravati of Mahidol University at Salaya, Thailand, said the only way to test whether a vaccine worked was to start trials. Testing on animals gave no indication of a human vaccine's effectiveness. The trials clearly had to be ethical, he said, or the companies and organisations involved would be accused of human experimentation.

The cost of a three-year trial involving 9,000 people to test the effectiveness and safety of a vaccine would be only $45m – less than the cost of a single F16 fighter jet.

ARTS

Cinema/Nigel Andrews

Pulp hero pumps up the drama

For about a third of *True Lies* – the middle third – Arnold Schwarzenegger attempts to play a troubled human being. You can tell this by the sound of machinery winding down behind the Arnold face. The brows furrow; the voice and features are rearranged, by elaborate computer technology, into a broody quietude. Our hero Harry Tasker, a spy working for a secret agency charged with what the film's publicity calls the "intervention of nuclear terrorism," suspects his wife Jamie Lee Curtis of having an affair. Or as Arnold more menacingly pronounces it, an "affee-ah."

Soon Harry is unleashing all the agency's know-how and manpower on Jamie's nocturnal wanderings, eventually having her caught in what seems a clear case of *flagrante*. Then he interrogates her to the point of tears through a one-way mirror and voice-distorting intercom. Later still, again incognito, he subjects her to a humiliating strip routine.

After *True Lies* the comedy of domestic jealousy, we return to *True Lies* the comedy adventure. Only we wonder where we mislaid our sense of humour. For much of this two-hour 20-minute movie, the Austro-American superstar's bid to bounce back from his *Last Action Hero* debacle resembles *Last Action Hero* with added misogyny and *schadenfreude*. Lots of stunts – here a blown-up Swiss chateau, there a pyrotechnic pile-up on a Florida bridge – and lots of quippy one-liners: "Have you ever killed anyone?", "Yeh, but dey were all bad." But there is also a new, worrying sense of let's-pump-up-the-drama.

When the Schwarzenegger machismo begins to turn serious, there is something nightmarish about this man. As a paid-up if part-time subscriber to the Arnold Fan Club – call me a country member – I admire his work in peak pulp form: the *Terminator* movies, *Commando*, *Total Recall*. These are comic books made celluloid, with Arnold a perfectly-tooled Nietzschean machine whose ability to seem humanly nonhuman can also stretch to comedy. (He is funnier – advertently funnier – than Danny De Vito in *Twins*.)

But *True Lies* is a pile-up of confused intentions. Directed and scripted by James Cameron, it cost a reported $120m,

TRUE LIES (15)
James Cameron

BABY'S DAY OUT (PG)
Patrick Read Johnson

GETTING EVEN WITH DAD (PG)
Howard Deutsch

beating Cameron's own *Terminator 2* to the costliest-film-ever record. If the money went partly on Arnie ($15m), it went mostly on stunts and special effects that are used like a heart doctor's electric clamps to shock life into a tired, paranoid patient: the plot. In part one, Arabs threaten to blow up America with a nuclear bomb. Part two: Arnold investigates his wife. Part three: back to fighting the Arabs with reconciled spouse in tow.

This is clearly the star's bid to be James Bond for the 1990s. (Even the production designer Peter Lamont is a veteran of five Bonds.) All the fun of the espionage romp, with a bit of PMT thrown in – pre-millennial tension – in the form of topical geo-politics and career-stressed marriages. But Schwarzenegger's mega-muscled way with the gore and gags is different from the more dandyish 007's; and even less is it suited to black-comedy biopsies on an ailing relationship.

Zombie implacability is the man's speciality, accompanied by the boom of death-dealing epigrams. We cheer him here when he pilots a Harrier jump jet in and out of a skyscraper window; or when he crashes on horseback into a hotel's scenic elevator to pursue a fleeing baddie; or when he sepulchrally quips "You're fired" to the same baddie, dispatched while clinging to the end of a fighter plane's rocket. Schwarzenegger is a great star in two dimensions. Try to add a suaver third, let alone to to extend his style of casual brutality into real life, and the charismatic cut-out becomes a faintly sinister hologram.

★

Baby's Day Out and *Getting Even With Dad* are the week's self-styled Hollywood "comedies". Each has a plot you could sell in five seconds to an excitable mogul. "Kidnapped baby escapes and has life-endangering adventures across big city." (Mogul: "Great! Maisie, pass me a contract form.") And, "Neglected son stumbles on ex-convict Dad's new crime plot and blackmails him into being a new and caring father." (Mogul: "Great! What's Macaulay Culkin's schedule?")

Master Culkin, alas, is free. But he is now a long-in-the-tooth twelvish and the voice is descending from pre-pubescent high C to middle A-flat. As for the face, so animated in *Home Alone*, it seems to have seized up almost completely. Perhaps he has had plastic surgery.

He is, of course, re-running his earlier *succès d'infantilisme* here. Much of *Getting Even With Dad* involves a knockabout burglar duo (Gailard Sartain, Saul Rubinek) and their "hilarious" humiliations at the hands of Master Smartypants. That serves for sub-plot. The sob plot is in the hands of Ted Danson as Dad, who must choose between keeping a priceless cache of stolen coins and holding on to the love of Master Culkin. We are amazed he takes so long to make up his mind; and even more amazed that he makes the wrong decision.

Baby's Day Out comes to us from the writer-producer of – guess what? – *Home Alone*. And it has much the same plot about a tearaway infant and his distraught and sundered parents (Lara Flynn Boyle, Matthew Glave).

Only difference: the new John Hughes-scripted romp does not feature a knockabout burglar duo. No, in a daring departure from precedent, the burglars here are kidnappers and they are a trio. Joe Mantegna is their leader, mugging gallantly away even when Baby, concealed under a coat on his lap in a public park, is busy with a lighter setting the man's trouser-fly on fire. Later, a fellow gang member puts the flames out by stamping violently on the affected area.

Laugh? I thought I had contracted Macaulay Culkin's facial paralysis. This scene proves that misogyny is not the only option in modern American sexual attitudes. The country's puritan legacy lingers on at all behavioural levels, affecting both sexes.

But *Baby's Day Out* is an odd movie in every sense. While the comic opportunities offered by Hughes's story are legion – Baby in a department store, Baby on a building site, Baby at the zoo – the opportunities taken by Hughes's own script and Patrick Read Johnson's direction are almost zero. Scenes are either too short to make an impact at all (department store) or so long (building site) that they stretch a slapstick conceit into a form of serial concussion.

The only person to emerge with credit or dignity is the butler Andrews – no relation – and even he, to judge by the two-and-a-half lines of dialogue John Neville gets to utter, seems to have done most of his buttling on the cutting-room floor.

By the way, there is also a new Hollywood comedy in town called *Blank Cheque*. This was not shown to the press but deals, I understand, with a small boy, his neglectful parents and a knockabout burglar with whom he becomes amusingly involved...

Oh for the wings of a dove. Or the wings of aeroplane, at least, to get us to the Edinburgh Film Festival. There, if you have any time between August 13-28, you should drop by to enjoy the riches. They include: a pair of exotically matched retrospectives (Japan's Shohei Imamura, Hollywood's Andre "House Of Wax" De Toth), a gala lecture or two (including a masterclass by Bertrand Tavernier) and a whole lot of hits from the year's previous festivals, including the opening film, Australia's runaway drag comedy *Priscilla Queen Of The Desert*. Oh, and you can also catch Arnold Schwarzenegger in *True Lies*.

A great star in two dimensions: Arnold Schwarzenegger and Jamie Lee Curtis in 'True Lies'

The Proms

Maxwell Davies' new Fifth

At Tuesday's Prom, Sir Peter Maxwell Davies conducted the Philharmonia in the premiere of his Symphony no. 5. He will be 60 next month. The Prommers received it with warm, vociferous enthusiasm: quite rightly, I thought.

Yet one might have expected otherwise; for Max's atonal idiom is as uncompromising as ever, whereas popular post-modernist fashions in "new music" have clutched back at tonality as to Nanny's apron-strings. Max learned early that advanced, theory-conscious music went down better with lacings of Expressionist drama: hence the 1960s *Mad King* songs, and the inspired *Revelation and Fall*. Then he moved to Orkney, where his fascination with the seascape and the light turned his palette toward neo-Impressionism – though the detailed workings-out of the music were formally rigorous, even arcane.

Embracing Sibelius was a natural next step (Nordic is Nordic, after all). It was not surprising that Max's First Symphony (1978) should declare inspiration from the Sibelius Fifth, in respect of large-scale form – not to mention its stark, long-sighted vistas. When asked why he should call his latest work a Symphony, Max allowed that it contained nothing like traditional "development", just like the later Sibelius, but earned the title in virtue of hard-wrought density.

Fair enough: this new Fifth, in a single movement, *is* dense, but also transparent and accessible. At well under half an hour it is less than half the length of his First, but it is superbly compact, and exercises a relentless symphonic grip. A near comparison would be a late- or post-Romantic Passacaglia, where a repeated ground-bass ensures the unity of disparate variations which may trace their own dramatic trajectory. (Earlier Matthias Bamert conducted Webern's early Passacaglia, which is just such a piece, with rare, sensuous subtlety.)

Max's symphonic sections succeed one another like close links in a consecutive chain. From the bated-breath prologue for two flutes and a clarinet, many things expand in parallel and in contrast: brass chorales, soft wind-dialogues, frenetic tuttis (with brilliant surges from trumpet and horn) and introspective solos. It ends with a long, elegant, dying fall, from *pianissimo* strings and a moving cello line to formulaic high winds and a final, measured string-droop, barely audible.

One reason why it all tells so strongly is that Max has adapted himself to a more consonant vocabulary. Not *tonal*, of course; but far less profligate than before with minor seconds and major sevenths, which in dissonant profusion confound the ear. Where we used to need the big theatrical effects as guideposts through his scores, the Fifth Symphony says quite directly what it means – which does not preclude knowing evasions, bursts of formal rhetoric, or gravely honest solo utterances. It works, and I look forward to hearing it again and again.

David Murray

Theatre/Martin Hoyle

Three sisters in search of their roots

Alastair Muir

Maureen Lipman as Gorgeous, the self-styled housewife, mother and radio personality

Just as Muriel Spark's novel *The Girls of Slender Means* recalls a time "when all the nice people were poor", so sophisticated pre-war American films evoke an era when all the nicest Americans sounded English. Reminded of this by *The Sisters Rosensweig*, I was amused by a coincidental reference to Muriel Spark in Wendy Wasserstein's comedy. This is an Anglo-American affair par excellence.

The action amiably unfolds in the Holland Park home of Sara (Janet Suzman), a high-powered American in international banking who reads "very good" pieces in the Financial Times (as who does not?). The time is the recent past, when the Soviet Union was collapsing and $400 were worth £200. As old alliances crumble and the world takes on a new shape, the characters too try to focus on themselves, their context and their identities.

Sara's visiting sisters are Pfeni, traveller and author, involved with a bisexual English theatre director (whose hit musical based on the Scarlet Pimpernel sounds all too plausible), and Gorgeous Teitelbaum, self-styled "housewife, mother and radio personality" who enjoys fame as an agony aunt of the air waves back home, a cross between Doctor Ruth and Clare Rayner. Gorgeous is the sister who succeeded: she married a lawyer, had children and moved to the suburbs. She insists on lighting the candles and covering her head with a tea-towel for the Jewish sabbath ("A seance?" asks the teenager's boyfriend as he enters). The secular Sara is thoroughly anglicised, after two divorces coolly keeping emotional commitment at bay, and intends her teenage daughter for Oxford.

None are – or is, as a stickler for grammar reminds us on stage – as secure as we think. Gorgeous's husband Henry, it is revealed, is out of work and aspires to write Chandleresque thrillers which he researches in mean streets and low dives, somewhat hampered by an adherence to Diet Coke. Theatre director Geoffrey, having turned to Pfeni on the rebound from a gay affair and desolation at the Aids striking his circle, ultimately decides he misses men though he envisages himself and Pfeni as "the most remarkable friends". And Sara's defences are breached, to her resentment, by the nice and the ordinary: a widowed furrier, or rather a politically correct purveyor of "synthetic animal protective coverings".

The most articulate of the three, Sara finally describes herself (unjustly) as "a cold and bitter woman who has turned her back on her family, her religion and her country." Even her daughter backs out of a nationalist adventure with her Lithuanian boyfriend.

It falls to the daughter to ask the question that might apply to all of them: will they always be watching, never belonging? They puzzle ruefully about their identities, taken to extremes in the young girl's lament that she is neither European nor English nor American nor Jewish.

Of course, some might think this points the way to the new internationalism; but the play's message seems to be gently in favour of roots and a cultural identity – if you can find them. It sounds rather sombre, but the writing is literate, amusing and wryly resigned to the uncertainties against which Chanel suits and financial tycoonery are no protection, and international luvvidom no defence – as the director admits, he has no sense of who he is except in the darkened theatre where he makes it all up.

A success in the US, the piece, for all its humorous Jewish self-deprecation and family argument (none of it very intense), is less Neil Simon than Philip Barry, the pre-war American author of such comedies as *Holiday* and *The Philadelphia Story*: urbane, concerned, the heartbeat belying the shrug of the well-heeled and grudgingly self-aware.

A good cast could be better; Michael Blakemore's production could give more thrust to these over-controlled and emotionally slightly languid characters. But Janet Suzman brings her intelligence to Sara, and the younger generation are sweetly and convincingly portrayed by Hellena Schmied and James Arlon. About Maureen Lipman as Gorgeous I have a problem. Ten seconds into any Lipman performance I begin to giggle helplessly. While this might – should she opt to play Medea, Phaedra or Hedda Gabler – suggest in one or other of us an unsuitability for our chosen profession, as long as she plays comedy our relationship goes swimmingly.

'The Sisters Rosensweig' is at the Greenwich Theatre (081-858 7755).

INTERNATIONAL
ARTS
GUIDE

FESTIVALS

■ EDINBURGH

● This year's festival (Aug 14-Sep 3) is one of the most ambitious of recent years, spurred by the opening of an important new venue, the Edinburgh Festival Theatre.

● The drama line-up is headed by Peter Stein and Robert Lepage. Stein presents a Russian cast in a seven-hour production of Aeschylus' Oresteia trilogy (Aug 25-28), while Lepage gives a world premiere of his new work The Seven Streams of the Rover Ota, the river which runs beneath Hiroshima (Aug 14-21). Other theatrical works on offer include Goethe's Torquato Tasso in an English translation (Aug 15-20); J.M. Synge's The Well of the Saints from Dublin's Abbey Theatre (Aug 24-28); two Shakespeare plays – the Berliner Ensemble's German-language production of Antony and Cleopatra (Aug 16-18) and a French-language production from Orléans of The Winter's Tale (Aug 23-25); and the UK directorial debut of Luc Bondy in a quintessential international festival production, a wordless play by Peter Handke involving 30 actors playing 400 characters (Aug 31-Sep 3).

● The dance programme is headed by an Edinburgh favourite, the Mark Morris Dance Group (Aug 20-22), followed by the Lucinda Childs Dance Company (Aug 23-25) and Merce Cunningham Dance Company (Aug 27-28).

● Beethoven is the main festival composer this year. Scottish Opera presents the opening production of Fidelio.
All nine symphonies will be played by orchestras from Cleveland, Stavanger and Hamburg, plus the Orchestra of the Age of Enlightenment, as well as the five piano concertos and many of the string quartets.
Among the musicians involved are Alfred Brendel, Andras Schiff, Richard Goode, the Borodin Quartet, Frans Brüggen, Christoph von Dohnanyi and Günter Wand.
Chabrier is the other featured composer, with performances of three of his stage works. Roderick Brydon makes a welcome return, conducting the Australian Opera's production of Britten's A Midsummer Night's Dream (Aug 25-27).
Donald Runnicles conducts the opening performance of Mahler's Eighth Symphony on Aug 14, and Charles Mackerras the closing performance of Elgar's The Dream of Gerontius on Sep 3.

● Official Festival: 031-225 5756. Military Tattoo: 031-225 1188. Fringe: 031-226 5257

■ GLYNDEBOURNE

The remainder of the season consists of Glyndebourne's classic production of The Rake's Progress in David Hockney's sets (final performances tonight and Sun), a revival of Trevor Nunn's 1992 production of Peter Grimes with cast headed by Anthony Rolfe Johnson and Vivian Tierney (repeated Aug 12, 15, 17, 20, 23, 25), and the new Simon Rattle/Deborah Warner production of Don Giovanni, with cast led by Gilles Cachemaille (tonight, also Aug 13, 16, 19, 21, 24). The verdict on Glyndebourne's new theatre has been extremely positive (0273-541111)

■ HELSINKI

The theme of this year's festival (Aug 21-Sep 11) is Great Britain. The festival opens with Handel's Messiah conducted by Miguel Gomez-Martinez. Graeme Jenkins will conduct the Finnish Radio Symphony Orchestra in works by Elgar, Berkeley and Walton, and there is to be a new ballet inspired by the images of Francis Bacon. Guest ensembles include the Michael Nyman Band, the London Sinfonietta and the Los Angeles Philharmonic (Lippupalvelu Ticket Agency: tel 664466 fax 628007)

■ LUCERNE

Under Matthias Bamert, Switzerland's premier music festival has taken on an adventurous slant. Focal points this year (Aug 17-Sep 10) are a 70th birthday tribute to Swiss composer Klaus Huber (whose new piano concerto will be premiered by Andras Schiff) and a wide-ranging exploration of the way music is interpreted.
Four different performances will be built around Schubert's Winterreise, including a new opera.
There will also be a series of offbeat events breaking all the rules of traditional concert form. The conventional side to the festival is as strong as ever, with leading orchestras from Berlin, Vienna, Amsterdam, Cleveland and Dresden. The opening concert next Wed is conducted by Kurt Sanderling (041-235272)

■ MONTREUX

Montreux offers a sultry setting on the shores of Lake Geneva and a haphazard collection of orchestras and soloists from the summer festival circuit.
This year's programme opens on August 21 with a Pollini recital and ends on September 23 with Martha Argerich playing Beethoven's Second Piano Concerto, accompanied by the Lyon Opera Orchestra. Other visitors include Anne Sophie Mutter (August 24), the Pittsburgh Symphony Orchestra (August 25), Riccardo Chailly and the Royal Concertgebouw Orchestra (August 31), Ton Koopman and the Amsterdam Baroque Ensemble (September 5) and the Orchestra of La Scala Milan with Carlo Maria Giulini (September 8).
Most events take place in the cavernous modern Auditorium Stravinski (021-963 5450)

■ PESARO

This exquisite walled town on the Adriatic was Rossini's birthplace. Each year it brings together genteel lovers of the Italian maestro's music, who come to explore some of his lesser-known operas, alongside bucket-and-spade beach-goers.
The programme opens tonight with L'italiana in Algeri starring Jennifer Larmore and Kurt Streit.
Cecilia Gasdia sings the title role in a revival of Hugo de Ana's 1992 staging of Semiramide, conducted by Roger Norrington, opening on August 20.
The third production is the one-act dramma giocoso L'inganno felice (August 24), conducted by Carlo Rizzi and staged by Graham Vick (0721-33184)

■ SANTA FE

This year's festival includes the American premiere of Judith Weir's Blond Eckbert (final performance tomorrow). Francesca Zambello produces this and Il barbiere di Siviglia (till Aug 26).
This year's other new productions are Tosca, directed by John Copley with Mary Jane Johnson in the title role (till Aug 27), and Entführung directed by Graham Vick (till Aug 24).
A revival of Göran Jarvefelt's 1984 production of Intermezzo completes the bill, with Sheri Greenawald and Dale Duesing as the Storchs. And the pleasures of the place itself never pall (505-986 5900)

■ STRESA

Stresa's chief selling point is its situation on the shore of Lake Maggiore. The festival opens on Aug 27 with a Brahms and Mendelssohn programme played by the Freiburg Bach Orchestra and Chorus.
Other guests include the violinist Uto Ughi (Sep 1), the pianist Jörg Demus (Sep 7), Martha Argerich (Sep 11) and soprano Katia Ricciarelli (Sep 13). The festival ends on Sep 18 with the Berlin Radio Symphony Orchestra conducted by Vladimir Ashkenazy (Settimane Musicali di Stresa, Palazzo dei Congressi, Via R. Bonghi 4, 28049 Stresa. Tel 0323-31095 Fax 0323-32561)

■ TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside.
This weekend's concerts feature the Vermeer Quartet, the Pittsburgh Symphony Orchestra with Lorin Maazel, and a performance of Khachaturian's Violin Concerto by Itzhak Perlman.
Next week Bernard Haitink conducts the third act of Götterdämmerung and a Sibelius/Brahms programme, with violin soloist Gidon Kremer.
The festival runs till Sep 4 (Ticketmaster Boston 617-931 2000 Western Massachusetts 413-733 2500 New York City 212-307 7171 other areas 1-800 347 0808)

ARTS GUIDE

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A hack out of the old block

BOOK REVIEW

POLITICAL JOURNALISM'S CRIME AND PUNISHMENT
(Seiji janarizumu no tsumi to batsu)
By Hiroaki Tase
Shinchosha, Y1,250 in Japanese, 207 pages

The unexpected return to power of Japan's Liberal Democratic party in a three-party coalition led by the Social Democrats has sent executives and commentators at some of the nation's leading television networks and newspapers scrambling for cover.

The LDP is angry at media organisations which branded its former leadership corrupt and dishonest once the party had fallen from grace last year, while heaping praise on successive new administrations for their programmes of reforms. Many media chiefs are now trying to restore former links with leading LDP members who, still seething, are threatening to cut some news organisations off from news emanating from the party.

Such fawning behaviour by the media is hardly a surprise: since its establishment early this century, the Japanese press has been part of the status quo and has sidled up to those in power. It has never been given – nor has it taken on – the role of political critic. Moreover, the static quality of modern Japanese politics has meant the media have seldom been called upon to choose sides in any deep ideological or other conflicts.

Hiroaki Tase, a senior reporter at Nihon Keizai Shimbun, the leading business daily, says one of the main reasons for the confused state of Japanese politics is the unhealthy proximity between the media and politicians. The country's immature press has failed to check the excesses of politicians, who are widely seen as being preoccupied with securing favours for their constituencies while party power brokers have dispensed patronage among favourites.

Tase says his book, un-Japanese in its critical tone, is partly a confession of his own past "sins" as a political reporter. He says he realised that something was wrong with Japanese journalism when he was Washington correspondent for the Nikkei between 1985 and 1989. He found western journalism much more open, analytical and critical.

One of the main problems in Japan, he says, is the *kisha* club, or the reporters' cartel, which is attached to and usually funded by each ministry, political party or faction, and business organisation. A journalist arriving in Japan for the first time faces a bewildering array of more than 600 *kisha* clubs accommodating more than 160 media organisations. Instead of commuting to the office, reporters from Japan's mainstream newspapers, wire services and television networks virtually live in these clubs, which resemble permanent newsrooms, waiting for announcements or briefings.

It is a cosy arrangement for both sides, allowing government and business officials to establish close links with the media while controlling information. Diversity and competition are sacrificed, as reporters, who know exactly what the competition will write, simply rewrite press releases.

Another factor contributing to the low standards of Japanese journalism, says Tase, is the lack of bylines for reporters. This, he says, has dampened competition between journalists and hence quality (although he fails to consider the case of a publication such as The Economist, which does not give its writers bylines). He also blames a lack of analytical skills among reporters on the way news organisations tend to promote journalists for their respect for hierarchy or for working long hours, rather than for their intellect. "After working from early in the morning to late at night, political reporters come home tired as a rag. They don't even have time to read books," he says.

He points out that the closeness between the press and politicians extends abroad. He describes a press conference hosted by the foreign ministry at the Group of Seven summit in Munich in 1992 for Mr Kiichi Miyazawa, the then prime minister. The government official chairing the press conference ignored questions by non-Japanese reporters, allowing only approved questions by Japanese *kisha* club members travelling with the prime minister.

But the Japanese mainstream media are not scared to kick someone when he is down, says Mr Tase. Mr Shin Kanemaru, a power broker in the LDP and a political legend created by the media, is a case in point. After he had been arrested and indicted in 1992 for receiving bribes from a trucking company in exchange for political favours, the media engaged in near-hysterical condemnation of him. The case against him is pending.

Tase warns that, if the media do not go back to the basics of journalism, scrutinising the political establishment and writing the truth, they will lose what remains of their credibility among the Japanese public.

Even though Tase's book has been received with resentment among some, his views are gaining support among journalists, particularly the younger generation. His solutions to the problems of Japanese journalism seem straightforward. He calls for the abolition of *kisha* clubs, the greater use of journalists' bylines, and the development of a media culture which nurtures the development of more analytical journalists.

Yet, if Tase's prescriptions are correct, it may be a while before Japanese journalism improves substantially and plays a leading role in forming public opinion, rather than merely regurgitating the government or corporate line. Although Tase has been following his own prescriptions, writing analytical and critical features under his own name, he remains in a minority within the press and even within his own newspaper. He argues convincingly that, in a culture where open debate is new, analytical and lively journalism may still take some time to establish itself.

Emiko Terazono

UK farmers have not gone organic, but are profiting from going green, says **Deborah Hargreaves**

Cereal story with a wholesome ending

An unusual phenomenon has occurred across the UK's farmland this summer – a scattering of poppies has appeared amid the regimented rows of golden wheat. The poppies would normally be wiped out by liberal doses of herbicide, but this year they are evidence of a trend by European farmers towards curtailing the use of chemicals.

"There's a growing mood that we don't mind seeing the odd weed or two amid our cereals – a few years ago that would be a matter of shame," one producer commented.

The change has been brought about partly by public demands for farmers to be more environmentally sensitive and reduce their use of pesticides, herbicides and artificial fertilisers. The trend has been strengthened by the pressure on farmers to cut costs, as European Union subsidies are reduced under reform of the Common Agricultural Policy.

As well as cutting subsidies, the CAP reforms are designed to give financial incentives to farmers who adopt measures to safeguard the environment. Already some payments under the CAP depend on farmers taking action such as limiting grazing in environmentally fragile areas.

While only 5 per cent of CAP payouts currently depend on meeting environmental standards, a further "greening" of EU agriculture policy seems likely. Mr Rene Steichen, farm commissioner, is among those wanting change: "Environmentally compatible production methods should be introduced as quickly as possible into general practice," he said recently.

In the UK, some large producers and environmentalists have joined forces to lobby for changes to the CAP, to bring it more into line with environmentally friendly methods of farming. The Gay Hussar group, named after the London restaurant where it first met, was officially launched last month at the Royal Show, organised by the Royal Agricultural Society of England, in Stoneleigh, Warwickshire.

Many farmers in the group advocate a concept called "sustainable farming", which encourages producers to cut their use of agrochemicals – but not eliminate their use completely as in "organic" production.

Mrs Gillian Shephard, before she moved from agriculture minister to education secretary last month, was keen to encourage sustainable methods – a system under which, she said, "crops must be profitable, meet the needs of consumers and the environment and conserve the soil".

Under such a system, farmers cut their use of weedkillers, artificial fertilisers and pesticides and, as a consequence, suffer a small drop in production. But they remain profitable because, by using fewer chemicals, they can reduce costs.

A research project, partly sponsored by the EU, at the Long Ashton Research Centre in Bristol is currently investigating how much farmers can cut chemical use and still remain profitable. It estimates that, if the use of chemicals was reduced such that crop yields fell by 8 per cent, costs would fall by 32 per cent – meaning the holding would remain profitable.

Mr Mike Calvert is one of the pioneers of the sustainable approach. As general manager of CWS Agriculture – an arm of the Co-operative Wholesale Society – he is one of Britain's biggest farmers with a total of 45,000 acres under his care. Keen to address the concerns raised by environmentalists, Mr Calvert initially tested organic farming methods. Five years ago he converted 300 acres of his 5,200-acre holding in Leicestershire, but soon found it was not profitable.

While conventional farming methods have given him an average profit of £150 an acre at the Leicestershire farm over the past three years, the organic part has made losses – last year of a total of £9,000.

Me Calvert said his organic holding needed a large investment of costly labour to control weeds. He reckoned that in organic farming the overheads per unit of production were double those of conventional methods because so much manpower was used and crop yields were lower.

This year, Mr Calvert is testing sustainable farming on 130 acres of his land. He described it as "integrated farm management". Instead of using labour-intensive organic methods, he is devoting the man-hours to drawing up plans for using chemicals and artificial fertilisers more efficiently.

Earth watch: some farmers have reduced their use of chemicals

Instead of spraying chemicals on all crops, he and his team spend up to six hours a day inspecting wheat fields for patches of disease or poor fertility to target later. Mr Alastair Leake, who manages the test area, said: "You're looking at specific problems and treating them, rather than blanket spraying as in normal farming. We're abandoning the blunderbuss and picking up a rifle."

Farmers remain profitable because, by using fewer chemicals, they can reduce costs

Sustainable farming also offers a chance to break a vicious circle in conventional farming, whereby producers often need to step up their use of chemicals to deal with problems created by an earlier application of other chemicals. For example, said Mr Leake, wheat with growth that has been enhanced by chemical fertilisers is susceptible to a problem called "lodging" – when the straw is battered flat by the rain. If this happens, the crop does not mature and is hard to harvest. To avoid this, farmers apply a growth regulator which causes the wheat to grow shorter, so making it less vulnerable to lodging.

Mr Leake's solution is to be more careful in the initial use of fertilisers so that the wheat does not grow so high and thus requires less growth regulator.

It is the sort of common sense which was often lacking in British agriculture in the 1980s, when the use of chemicals peaked as farmers sought to maximise food production.

Now the conventional wisdom has changed – to such an extent that the large agro-chemical producers and their trade organisation, the British Agro-Chemicals Association, have co-sponsored with supermarket groups a pressure group, Linking Environment and Farming (Leaf), which campaigns for sustainable methods. The chemical companies appear to have decided that it is better to promote the use of chemicals at a lower level, rather than risk organic farming becoming widespread. By promoting sustainable farming, chemical producers may also be able to head off the threat that CAP reforms will lead to severe restrictions on the use of their products.

Leaf, which has set up a number of demonstration farms, has attracted 100 members and affiliated organisations – of which CWS is one – in the UK and more on the Continent, including 800 in Germany. It encourages farmers to carry out environmental audits based on a questionnaire it has compiled.

Leaf reports strong interest in its audit system: it has sold 1,000 copies of the questionnaire at £20 each. But that represents less than 1 per cent of the UK's 250,000 farmers. It is a hard message to sell to the majority of producers, who are being encouraged to farm in a totally different way than they were 10 years ago.

Mr Fraser Hart, an arable and pig farmer in Gloucestershire who has adopted sustainable methods, said the transition was not easy. "It's more difficult to farm this way, and what do you do when you're faced with a major epidemic of pest?"

For example, the orange blossom midge threatened to cut wheat yields by 30 per cent this summer. "That's bankruptcy for some farmers and I'm afraid we chickened out. We didn't want to spray, but we did it to save our crops," he explained.

At the same time, farmers trying to stick to environmental guidelines can still be their own worst enemies, Mr Calvert said. "You have to change your perception of what is pretty. Pretty to a conventional farmer is wheat which is dark green and lush in straight rows, whereas to the public it may look much better with poppies in it. Farmers may have to lose their obsession with neatness and tidiness. We were the scruffiest place in Leicestershire for a time."

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Not only New York funds drive gold price

From Mr Timothy Green.

Sir, The analysts at Bear Stearns & Co argue that the gold price is too high at $380 an ounce (Letters, August 5). This may be the view in New York, which often forgets the wider world in which the interplay of many markets makes the price.

Although one driving force in gold recently has been the ubiquitous "funds" in New York, the underlying strength of the gold market continues to be strong physical off-take for jewellery and industry in places as diverse as India, Indonesia, Italy, China and the US itself. This demand alone outstrips, even at $380, new mine production and scrap. At $330 in early 1993, gold was perceived as so "cheap" that it triggered demand not seen since the metal was at $35 an ounce 25 years ago.

Which brings us to Bear Stearns' remarks about the Fed (where, of course, Wayne Angell was a board member until recently). The Federal Reserve Bank of New York has been out of the gold market since it closed its gold "window" in 1971, no longer handing out gold for dollars at $35 to any passing central bank. Unlike the Bank of England, it has not maintained its expertise in the gold market. So how is the Fed to "get" the price back between $320-$340? Start selling US reserves at those prices to all-comers? Has it been forgotten that in the 1960s the central banks' gold pool tried in vain to hold gold at $35? Or that the US Treasury sales in the late 1970s were seen as a vote of no confidence in the dollar? The Treasury got $255 an ounce for its gold; the price pressed on to $800.

Moreover, markets now regard the gold price as a moveable feast. When historically it was principally a monetary metal, the benchmark offered by the stability of its price was crucial. But the world of gold has moved on; the cocktail of forces determining its price today means that any central bank trying to "stabilise" it to suit its own convenience does so at its peril.

Timothy Green,
(author, The World of Gold),
8 Ponsonby Place,
London SW1P 4PT

Chart gives true picture

From Mr Kieren P Wright.

Sir, Professor Wynne Godley (Letters, August 8) claims that a Bank of England chart cited by Lex on August 1 is misleading. The chart – contained in my article on company profitability and finance in the August Quarterly Bulletin – shows the development of industrial and commercial companies' investment as a percentage of gross domestic product since 1975.

Prof Godley claims that it is misleading because the sector now includes privatised industries which were previously nationalised.

Indeed, the sector has become wider, as the article fully acknowledges, but the national accounts data do not identify separately investment by privatised industries.

Nevertheless, the chart is not misleading: an alternative chart of whole economy non-residential investment, covering both private and public sectors, in relation to GDP would show broadly the same pattern.

Kieren P Wright,
monetary analysis division,
Bank of England,
Threadneedle Street,
London EC2R 8AH

Role in Italian rail wages deal

From Mr Publio Fiori.

Sir, I refer to the article by Andrew Hill, "Italian rail deal raises wage cost fears" (August 9). In this the author does not state that I absolutely refused to take part in the negotiations and only asked the Italian state railways to honour the agreement made two years ago between it and the drivers' union when I was not a minister.

When the Italian courts, for which I have great respect, decided that the agreement was valid and ordered the state railways to pay interest on outstanding payments and legal costs, I intervened as guarantor of those rights.

I am surprised that as authoritative a paper as the Financial Times did not take the trouble to try to seek my views before writing an article which could be used to political gain, which is outside the scope of your newspaper.

Publio Fiori,
transport minister,
Ministry of Transport,
Rome,
Italy

Nuclear states and the non-proliferation treaty

From Dr David Lowry.

Sir, In their otherwise admirably informative review of the current developments in nuclear proliferation and its control ("Tick, tick, tick, tick them off", August 5) Jimmy Burns and Bronwen Maddox make two presentational errors that deserve correction.

First, in the accompanying map on the spread of nuclear weapons capability they entirely overlook Canada's significant nuclear infrastructure. According to the 1994 edition of Nuclear Engineering International's *World Nuclear Industry Handbook*, Canada has 22 nuclear reactors operating at seven different sites. Additionally, it has a nuclear research centre at Chalk River, where scientists worked on the Manhattan atomic bomb project, whose technically successful outcome has just been marked with the 49th anniversary of the atomic destruction of Hiroshima and Nagasaki.

Canada also has very significant uranium deposits, as has Australia, a country identified as having large civil nuclear capability, although it only has two small research reactors and no commercial reactors planned or operating.

Second, your specialist writers misrepresent the text of the nuclear non-proliferation treaty (NPT) in saying that it "permits five countries to have nuclear weapons programmes". It does not. The NPT text defines a nuclear weapons state as one which has demonstrably tested a nuclear weapon (which interestingly itself remains undefined in the treaty) by January 1967.

It is to conflate the definition of a nuclear weapons state with the proposition that the NPT "permits" such a status where both your authors, and the foreign office, are inaccurate. Indeed, under article VI of the NPT each of the states party to the treaty – including the nuclear weapons states – are committed to entering into negotiations in good faith and at an early date towards nuclear disarmament under strict and verifiable international control.

This is hardly a permissive commitment to the retention of nuclear weapons.

David Lowry,
visiting research fellow,
The Open University,
Walton Hall,
Milton Keynes MK7 6AA

Customer confidentiality paramount in status inquiry system

From Mr Terry Thomas.

Sir, You reported ("Credit check plan on hold", August 8) that banks and some of their customers are experiencing practical difficulties following the introduction of a new procedure for status inquiries.

The new system was devised following the Co-operative Bank's refusal to answer inquiries without the express consent of its customers.

I hope that, despite any teething problems being experienced with the new system, everyone will accept that customer confidentiality must remain paramount, and that we can now all be confident that no one can gain information about our accounts without our permission.

Terry Thomas,
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FINANCIAL TIMES

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Ratifying EU agreements

The European Union is in a mess over ratification of its international agreements. This week the European Court of Justice has ruled that an antitrust agreement between the European Commission and the US government is void. More seriously, there is disagreement over how to ratify the Uruguay Round. The EU must find a way of resolving these disputes in ways that allow it to play its role on the global stage.

Underlying both controversies are the vexed issues of EU-versus-member-state competence, and member-state suspicion of the Commission's ambitions. Nobody doubts the need to ratify the Uruguay Round agreement. The question rather is how. But if it is not answered sufficiently swiftly, ratification may be delayed until next year. In that case, the EU might not be a founder member of the World Trade Organisation. Worse, delay on this side of the Atlantic might encourage delay on the other, increasing the risk that the whole process will go awry.

The Commission argues that it should be possible to ratify the Uruguay agreement under article 228 of the Maastricht treaty. Parliament will then have powers, similar to those of the US Congress, to vote yea or nay on the package. Parliament's new role, however distasteful to some, has not been challenged by member states. Nor do they seem to have a basis for doing so. It is also agreed between the Commission and member states that, whatever the technical requirements, ratification should be unanimous. In some cases, this will require consent by national parliaments.

Divisive issue

The divisive issue is what other treaty articles should provide the basis for ratification. The Commission argues for Article 113 alone, which gives it sole negotiating power under the common commercial policy. But member states insist that the Uruguay Round covers articles in the treaty where competence is divided between the EU and member states. Those other articles relate, in particular, to services, transport and intellectual property.

As yet, the member states have reached no consensus on which legal basis to adopt. But the Commission has already asked the Court of Justice for a ruling on the question, arguing that this is vital not so much for ratification, as for the EU's subsequent role within the WTO. If there were no assignment of competence to the EU, argues the Commission, it would be unable to negotiate effectively. This would create disorder within the WTO and frustration among the EU's trading partners.

Against this, member states insist that the EU lacks not just all the exclusive competences claimed by the Commission, but still more such competence in new areas on the WTO agenda, like labour standards and the environment. Divided competence is inescapable. The solution is to make it possible for the EU to negotiate effectively, without the member states conceding powers it lacks.

Compromise required

A compromise is required, not least because the Court is unlikely to reach its decision before November. Member states are proposing a code of conduct that would govern negotiations in areas of divided competence. The code would grant the Commission its role as sole negotiator on matters covered by the WTO. Such a code of conduct could be agreed as early as September. Thereupon, the Commission should withdraw its application to the Court. The question of the legal allocation of competence in controversial areas should then be left to member states at the inter-governmental conference due in 1996.

The Commission cannot claim sole EU competence for all matters that might fall under the WTO. What it can – indeed must – insist upon is the power to negotiate effectively. Member states now blame the Commission for the delay in ratification. This is somewhat unfair, since the issue of competence is important. But it must not be resolved legalistically. The powers granted to the Commission under Article 113 are sweeping, while the areas covered by the WTO are sensitive. To insist that all of the latter already fall under the former is bound to exacerbate suspicion of the Commission. What is needed is an operationally effective compromise – and early ratification of the Uruguay round. The German presidency should do everything it can to achieve both.

Making sanctions work in Iraq

Sanctions *can* work. They played a part in convincing white South Africans that apartheid was not a tenable long-term solution for their country; and President Milosevic would not even be pretending to apply them to the Bosnian Serbs unless he were seriously anxious to get them lifted from Serbia. In Iraq, sanctions are clearly "biting". Western visitors report a bleak economic picture, with minimal activity and no hope of change. Moreover, Iraq has complied, to a surprising extent, with the conditions imposed on it by the UN Security Council, including acceptance of long-term monitoring of its nuclear and chemical disarmament.

With Iraq, as with Serbia, the question arises whether compliance should be rewarded by a partial lifting of sanctions. For the moment there seems to be a consensus among the five permanent Security Council members that lifting the sanctions now would be "premature". All agree that Iraq must accept Resolution 833, demarcating the Iraq-Kuwait border, and co-operate in investigating the disappearance of Kuwaiti subjects on Iraqi territory, in addition to concessions it has already made.

But whereas France and Russia might be satisfied with this, and advocate setting a fixed timetable after which the council should consider allowing Iraq to resume oil sales, the US and UK have a longer list of demands, including an end to human rights violations and to alleged sponsorship of assassinations. They fear that to set a fixed period would fatally undermine the sanctions by encouraging both Iraqis and foreigners to assume that they are being phased out.

Undoubted hardship

There is no humanitarian argument for lifting sanctions on Iraq. The undoubted hardship suffered by the Iraqi people is caused not by sanctions (which specifically exempt food and medicine) but by Saddam Hussein's refusal to sell oil under the terms of Resolution 706, which would place the proceeds in an escrow account and spend part of them on humanitarian relief in Iraq under UN supervision. To let him sell oil and use the proceeds at his discretion would be the opposite of humanitarian: it would increase his ability to oppress the people of Iraq and to undermine the liberated area in the north with car bombs and other forms of sabotage.

The strongest pressure for lifting sanctions comes from Iraq's neighbours, notably Turkey and Jordan. They have a case in that sanctions bear much more heavily on them than on the members of the Security Council. This is true also of Yugoslavia's neighbours. Article 50 of the UN Charter provides for states "confronted with special economic problems" arising from measures taken against another state to "consult the Security Council with regard to a solution of those problems". The council needs to respond much more imaginatively if it wishes to maintain sanctions long enough for them to work.

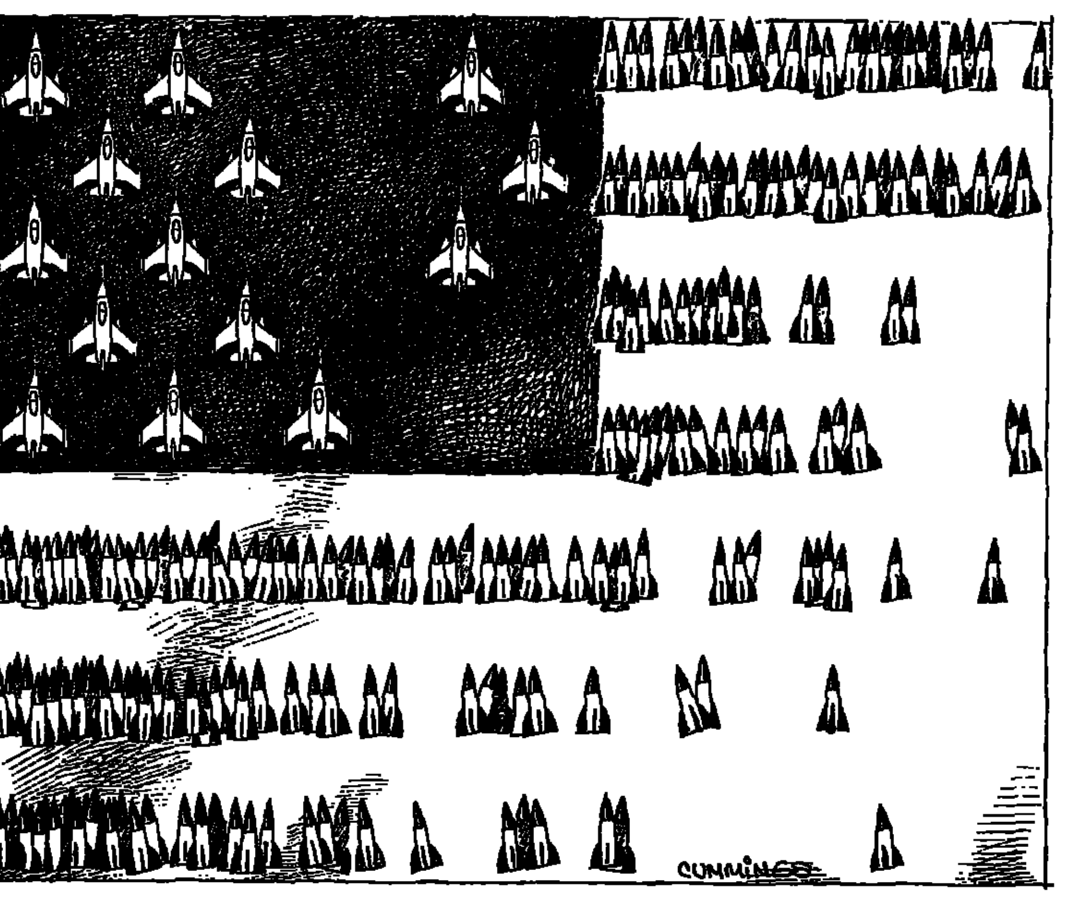
Broader strategy

Here as elsewhere, though, sanctions can only work as part of a broader strategy. The lack of such a strategy is made painfully obvious in the Iraqi case by the fact that sanctions are being applied not only to the area under Saddam's control but also to the north from which western powers have obliged him to withdraw. The argument is that to treat different parts of Iraq differently would infringe its territorial integrity, by giving *de facto* recognition to a separate Kurdish state. But there is a way out of this, which is to give support to the Iraqi National Congress (INC). This body represents Iraqis from all parts of the country, and aspires to liberate Iraq as a whole. It has established a temporary base in the north, and its authority has been strengthened by its mediation between the Kurdish parties during their recent clashes.

Last year King Fahd of Saudi Arabia urged the INC leaders to proclaim a provisional government in the area they control. It is a suggestion they can only take up with western support, but that support should be forthcoming. So long as it is withheld, the impression persists that the west does not really wish to see Saddam replaced, and that sanctions are intended not to drive him from office but to punish the Iraqi people as a whole.

Fewer bangs for less bucks

The US defence industry is restructuring in response to deep cuts in weapons procurement, writes **Bernard Gray**



After a "bottom up review" of US defence requirements last year, Mr Les Aspin, the then secretary of defence, invited industry bosses to the Pentagon. He explained that despite the recent slimming by defence companies, the industry was still too big for Pentagon orders to prop up. Defence companies would have no choice but to retrench and consolidate further. As the industry chief executives headed for the door, they turned to each other and said with one voice, "Well, I guess *you* guys really have a problem."

There is no doubt that the US defence industry faces a testing time. In the past decade the defence budget has been cut by a third in real terms from $401bn to $269bn, and the number of military personnel will have fallen from 2m in 1985 to 1.5m by 1997. But the cut in weapons procurement, and hence the impact on companies, has been even more significant.

From the peak of the Reagan arms build-up in 1985, the US budget for weapons purchases is almost two-thirds lower in real terms, down from $132bn to $48bn. In 1985, the US bought more than 31,000 new missiles, this year it will buy fewer than 2,500. The continually rising price of military technology has added an extra turn of the screw. In 1975, a slack period of defence spending following the end of the Vietnam war, the Pentagon could still afford to buy 293 fixed-wing combat aircraft. Next year it will get just 28.

Companies have had to respond rapidly to the constraints. At McDonnell Douglas, the company which makes the F/A-18 and F-15 fighters as well as the C-17 transport aircraft and commercial airliners, the workforce has almost halved in four years from 133,000 to 66,000. Most other large defence companies have made similar cuts. According to Bankers Trust, a US bank, employment in the industry has fallen from 1,350,000 in 1990 to 800,000 now and may hit 600,000 within three years.

To combat the squeeze, companies have also been buying and selling subsidiaries in an effort to cut the number of aircraft, electronics and missile manufacturers. Yet as the meeting at the Pentagon suggested, most chief executives think their companies will survive, and most want to increase their presence rather than shrink it.

This bias is reflected in the pattern of transactions since the end of the cold war in 1989. Several of the deals, such as IBM's sale of its defence computing business to Loral, and General Electric's sale of its aerospace division to Martin Marietta, have been of predominantly non-defence companies deciding to leave a difficult market to the specialists.

Of those running companies predominantly in defence, only Mr William Anders, chairman of General Dynamics between 1991 and 1993, has so far taken the strategic decision to quit the field. He sold his F-16 fighter plant to aerospace company Lockheed, his missile business to missile specialists Hughes Aircraft, his space launch business to Martin Marietta, and his non-military aircraft business to Textron. General Dynamics is left with only its tanks and submarines operations, where it is the sole US manufacturer, and which Mr Anders said last year he "probably could not sell even if I wanted to".

Other large defence companies, most notably Lockheed, McDonnell Douglas and Martin Marietta, are probably big enough and have a sufficient backlog of orders to be sure of remaining in the defence business. They can afford to wait for the right buying opportunities. Mr Daniel Tellup, chairman of Lockheed, says: "There is much more consolidation ahead. Everyone is looking at everyone else, and we will have to be opportunistic."

Pressure is most acute for small and medium-sized companies with weak finances whose products are nearing the end of their production runs. Northrop manufactured the B-2 stealth bomber in the late 1980s, but as each aircraft cost more than $850m, production was stopped at 20 last year, though efforts are being made to restart the programme. Aircraft maker Grumman was also short of current products and the two merged earlier this year. Mr Kent Kresa, chairman of Northrop Grumman, says: "Most people have so far perceived themselves as buyers, yet as the options narrow some will be forced to become sellers." His merged company hopes to mitigate the misery by reducing central overhead costs, and draw on its stealth technology – which makes aircraft hard to see with radar – for the next generation of weapons.

Mr Tellup thinks that over the next 10 years the US will be down to two military aircraft manufacturers, two space and missiles companies and two big electronics groups with a smaller number of component suppliers. Since, for example, MacDonnell Douglas, Lockheed, Boeing and Northrup Grumman all still make aircraft, that implies some painful decisions to come.

'There is much more consolidation ahead. Everyone is looking at everyone else, and we will have to be opportunistic'

Such a radical concentration has also raised fears that the US Federal Trade Commission or Justice Department may try to block mergers on anti-trust grounds. Many in the industry think that the idea of a fully competitive market in weapons procurement is alien when there is only one buyer, the US government, and a couple of sellers, locked together in 30-year projects. Most regard fully competitive tendering for large weapons systems as a luxury the US can no longer afford. Mr Wolfgang Demisch, defence expert with Bankers Trust, says: "The US has already taken the emotional decision that it is prepared to accept monopolies. We have a monopoly in tanks, in submarines and in strategic bombers. Now the combat aircraft business is imploding rapidly. We are simply not prepared to carry the cost of propping up artificial competition."

Fortunately, however, boiling down the bones of defence contracts is not the only option open to the industry, and many hard-pressed companies are hoping for overseas sales to maintain production. Yet here too defence budgets are being cut, and the international market is becoming increasingly competitive. Buying effective weapons from strong political allies may still be a priority for purchasing governments such as Gulf states, but value for money now counts too.

That can leave US companies at a disadvantage. Their equipment often incorporates the highest technology and is correspondingly expensive. The US industry is also tooled up for long production runs, so as volumes have shrunk in recent years its huge research and development costs have had to be spread over smaller numbers. As a result, unit prices for US equipment have risen compared with their competitors.

Rising prices not only hurts potential sales abroad, at home it threatens to price the most sophisticated weapons out of existence – as it has with the B-2 bomber. "We have to learn to cut fixed costs and do research more economically," says a defence executive. "The escalating price of the B-2 marked the point where the US could no longer afford to buy bombers, and we cannot let that happen to other weapons systems."

The industry is making an effort to cut fixed costs, as the heavy redundancies show. Yet some companies are reaching the point where they cannot cut further and still retain the capability to build complex systems such as fighters or nuclear submarines. In certain cases, the US government has accepted the strategic case for retaining some central technologies. It will almost certainly order a $2bn Seawolf submarine from General Dynamics which the navy neither wants nor needs, simply to keep the Groton, Connecticut, yard going into the next century.

More innovative ideas are also being tried. MacDonnell Douglas has established a "Phantom Works" advanced engineering laboratory, along the lines of Lockheed's long-standing "Skunk Works". The Phantom Works is experimenting with production techniques which could revolutionise aircraft manufacture and cut the tooling cost of setting up a production line. The aim is to cut the fixed cost of any operation so that high-tech systems can be manufactured economically in small numbers. Computer-controlled high-speed cutting, for example, allows complex parts to be machined from a single piece of metal at a quarter of the cost of traditional methods. Cheap, disposable moulds for composite materials can be aligned using lasers and "software tools" to do away with the expensive metal tooling which the industry usually relies on to assemble aircraft.

Pressure is most acute for small companies whose products are nearing the end of their production runs

Lockheed too has proved the worth of advanced engineering in small production runs. The company made the F-117 stealth fighter at its Skunk Works in conditions of great secrecy during the early 1980s. Despite the fact that only 59 were built, Lockheed managed to keep the cost below $45m per aircraft. "Some overseas companies are gambling that the US will not become cost-effective manufacturer for export," says one insider, "I wouldn't bet my business on that."

While the F-117 project gained from advanced techniques, it also had the huge advantage of a trouble-free (and secret) passage through the congressional procurement mill. As companies are cutting costs to help themselves, and getting some orders from the government to ease the contraction pains, they still have to navigate the cumbersome US budget process each year. This is the single biggest factor limiting the competitiveness of the US defence industry.

Since procurement works on a system of annual budgets, every development or manufacturing programme is up for debate every year, regardless of how far it has progressed. As a result, the development or manufacture of any system can be stopped or started at any time, and often for political reasons, such as protecting jobs, which have little to do with military need. Companies do not help their case, however, by lobbying congressmen to support their programmes and undermine those of rivals.

Horror stories about the budget process and procurement abound. Mr Norman Augustine, chairman of Martin Marietta, tells one about an incident where 30 companies working in three teams had responded to a government invitation to bid on a contract, only to be told 24 hours before the bids were due that the government had changed its mind and no bids would be accepted. The companies had spent more than two years and $100m on their proposals and had to drop them.

The secretary of defence, Mr William Perry, is committed to reforming procurement. However, his efforts are mainly aimed at simplifying the labyrinthine contracts between the Pentagon and defence groups. Most industrialists think this is a useful reform, but that it does not attack the worst problem: congressional interference.

Some projects – notably the controversially expensive C-17 transport aircraft – have been stopped for years in the development phase and then restarted. Others, such as the F-22 fighter aircraft, have slipped behind their original development and production schedules. Both cause huge disruption to the companies and, because the Pentagon requires detailed budgets at all times, involve large amounts of management time.

"What the Congress does not seen to realise," says one exasperated executive, "is that you are not simply altering one thing by stretching a programme out. Thousands of other decisions are dependent on timing and we have to rework all of them. In the end that just adds to the cost which the US government has to pay."

With Congress determined not to limit its freedom of action to decide federal spending, the horse trading at the annual budget is unlikely to change. Congress seems prepared to accept that some weapons systems, such as the B-2 bomber and potentially the C-17 transport aircraft, can be priced out of production by a mix of botched development at the companies involved and politics.

As the economic pressure for consolidation into a few global defence companies increases, the US is still best placed to lead. US companies operate in a unified defence market twice the size of that in Europe. They can consolidate more easily than their European counterparts. They have the technological edge.

Yet unless the industry can engineer more consistency and less political manoeuvring into its planning it may not be able to take full advantage of its strong position. As Mr Demisch of Bankers Trust puts it: "Overseas arms manufacturers are fortunate indeed that the US procurement process is not yet as well organised as it should be."

OBSERVER

Base attack at the crease

■ The pressure is on Mike Atherton, England's beleaguered captain of cricket. Just when he might have hoped that the hullabaloo over his involvement in this summer's *cause célèbre* – the case of the tampered ball – was over, US newshounds have picked up the scent.

Sports Illustrated, the bible of the US sporting fraternity, has decided to add Atherton to its roll call of fallen sports stars around the world. Although the sports weekly does not normally show much interest in cricket, when it comes to ball-tampering, US baseball players lead the world.

However, Sports Illustrated's attempt to get to the bottom of the Atherton case has been hampered by a certain unfamiliarity with cricket. It was on target with its description of the English cricket team as "woebegone", but erred in calling captain Atherton the team's "best bowler". Then again, judging by England's recent attack, the man from Sports Illustrated might not be far wrong.

Fashion model

■ Has Brenda Dean, a working Labour peer who used to run the Sogat printing union, given up all hope of political office, or is she the shape of things to come?

The question is prompted by her appearance on the board of Chamberlain Phipps, the shoe company which is just about to get its shares listed on the stock market. A few months ago she went on the board of Inveresk, the Scottish paper company.

In Labour's good old days it would have been heresy for her to be seen mixing with the bosses. Admittedly, she is no longer a working trade unionist but she seems to be much more comfortable in accepting positions around the boardroom table than most of her fellow Labour peers.

Former Labour chancellor of the exchequer Lord Healey, for example, probably could have had a clutch of well-paid non-executive directorships if he'd wanted.

That Baroness Dean is prepared to tread where the likes of Lord Healey would not may say something about the way Tony Blair's new look Labour party is cosying up to big business.

Then again, it is hard to see the likes of Jimmy Knapp, the RMT boss, ever taking a retirement job on the board of ScotRail.

Undercurrent

■ Two different worlds. A fortnight ago, water industry regulator Ian Byatt was unveiling new and highly market-sensitive price controls for the water companies. Today Professor Stephen Littlechild, the electricity regulator, will perform the same task for electricity companies in England and Wales.

'You smiled for your driving licence'

In both cases, the companies were advised of the results 24 hours before they were released to the market. In the case of water, not a single detail seeped out, and Byatt was able to reveal all to a waiting world.

No such luck for Littlechild; the stock market has been certain for days what he is up to. By yesterday, dealing rooms were abuzz with the details, and excerpts from the report were even doing the rounds.

Maybe it's just that electricity executives are bigger gossips than their water colleagues. But another difference is that Byatt held a special briefing session for stock analysts. Littlechild declined to do so – which did not please the scribblers . . .

Jiterbug

■ Tired of TQM (Total Quality Management), and bored with BPR (Business Process Re-engineering)? Why not join the JTL club? It's becoming increasingly fashionable in the UK steel industry and is related to the JIT (just-in-time) delivery cult.

According to Metal Bulletin, membership is restricted to steel users who tend to wait until they are already running out of material before they order more. The result is that it arrives "just too late".

What a carillon

■ Is Sir Michael Edwardes beginning to make a habit of this sort of thing? If Charter, the industrial group of which he is chairman, has to walk away from its £260m bid for Esab of Sweden, despite having 53 per cent of the target already in the bag, Edwardes will have been there before.

Five years ago Sir Michael, as deputy chairman, was leading Minorco's £3.5bn bid for Consolidated Gold Fields. Minorco had bought shares and won acceptances that added up to more than 50 per cent of Gold Fields. But it had to admit defeat because the whole business became mired in US litigation and could not meet deadlines imposed by the UK Takeover Code.

On that occasion a New York judge proved to be the insuperable barrier. This time it is a few big institutional shareholders in Esab who are causing all the trouble.

But the common thread, some would suggest, is that, had Edwardes offered a little more, he would have sailed through without opposition.

Watership down

■ Even rubbish TV can have its benefits. Baywatch, the hit show about Los Angeles lifeguards, may have its detractors but at least it saved a pet rabbit from a watery grave.

Boogedy was spotted by its 13-year-old owner, James Thorogood, lying at the bottom of the family pool in Perth, Australia. James dived in and imitated the cardiopulmonary resuscitation he had seen on the programme.

The buck very nearly stopped there. . .

Overtaken

■ Soon every driving examiner in Britain will have the lines off pat. "The good news is: your identity is safe with me. The bad news is: you've failed your test."

FINANCIAL TIMES
Thursday August 11 1994

HK fears cost of Beijing insult

Louise Lucas profiles a maverick entrepreneur who courts controversy

Mr Jimmy Lai, a Hong Kong entrepreneur, has set fashion trends in China with his polo shirts, and publishing trends in his home territory with a rough and ready magazine. Now, he is setting a new standard for dealings between Hong Kong companies and the Chinese leadership.

The case of Mr Lai is providing clues for Hong Kong business people wary of their fate after 1997, when China regains control of the territory. Having berated Chinese Premier Li Peng and called him a "turtle's egg", a serious insult in Chinese, he is now considering his future at the helm of Giordano, his casual clothing company.

Things are never simple with Mr Lai. One partner in Giordano is Beijing-backed China Resources, which would not want the company punished too harshly. However, on Monday, officials closed Giordano's Beijing store, and there are fears for its 28 other outlets in China.

Mr Lai's likely resignation is being seen as an attempt to douse the fires he stoked with an abusive letter to Chinese premier Li Peng – a two-page stream-of-consciousness that heaped scorn on the leader's worth, intelligence and even looks. It was printed in his Next magazine, which has a weekly circulation of about 170,000 and is avidly read by those with a thirst for outspoken politics, gore and gossip.

The 45-year-old Mr Lai has recently had little to do with the day-to-day running of Giordano, in which he has a a 36 per cent stake. But his resignation could prove to be a step backwards for Hong Kong.

By eliminating all effective ties with Giordano, Mr Lai would be separating his beliefs from the fortunes of the company, a move many say was prompted by Monday's closure of the month-old Beijing store.

Officially, Giordano says the Beijing outlet was closed because "certain licensing formalities had not been completed". But observers are linking it with Mr Lai's virulent open letter. They fear Beijing is cracking the whip on Hong Kong businesses.

There is barely a company in Hong Kong which is not doing business in China, or planning to do so.

For retailers and manufacturers of consumer goods especially, the lure of a market made up of 1.2bn people is the main reason to stay in the relatively saturated Hong Kong marketplace.

Mr Lai has never been above a degree of co-operation with China where it suits him. China Resources (Holdings), the trading company controlled by China's Foreign Trade and Economic Commission (the same body that closed the Beijing store), owns a 10 per cent holding in Giordano and is the likely beneficiary of Mr Lai's controlling voting rights.

He may find himself called to do a little more backpedalling next March, when he plans to float Next magazine.

Investors may prove harder to please than readers, and shy away from a company which so blatantly attacks the Chinese leadership when 1997 is just around the corner.

Giordano has established one of the most successful retailing networks in China, where it has tapped demand for primary coloured polo shirts, jeans and sweatshirts. The value-for-money concept of reasonable price tags attached to quality clothes has ensured the chain's popularity on both sides of the border and helped stimulate profits.

Last year the company recorded net profits of HK$137m ($11.5m), compared with HK$115m in 1992. For the first half of this year, earnings rose 58 per cent to HK$85m.

Mr Lai himself is the Hong Kong story made flesh. Leaving school young and with few qualifications, he wound up in Hong Kong and swiftly developed an appetite for philosophy, commerce and politics.

His conversation can be peppered with insights and words gleaned from Adam Smith and Milton Friedman or it can be the colourful, unstructured invective used to address Mr Peng. His estimated personal wealth has been put as high as HK$2bn.

THE LEX COLUMN

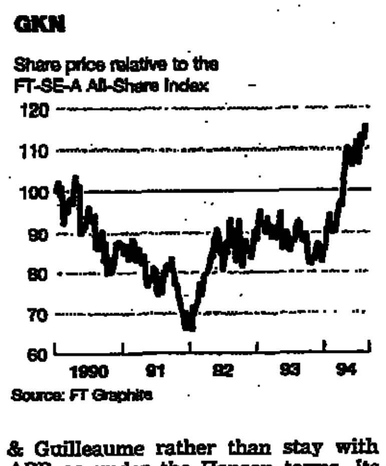
GKN drives forward

The market had a long hard look at GKN's shiny new figures and could find hardly a blemish. Even the huge writedown of Westland's assets raised barely a murmur. Not merely was the 62 per cent bounce in profits well above expectations; virtually all areas of the business are moving strongly in the right direction. Even UES is back in the black. Moreover, the improvement accelerated in the second quarter with volume growth returning to the automotive components business and the resulting surge in profit showing the value of tough cost-cutting in Europe. GKN also increased its share of its main automotive markets and is optimistic that the trend will continue. As pressure on the major manufacturers lifts, they may find it easier to follow Fiat's example and outsource to GKN all their constant velocity driveshafts.

True, GKN has had some luck, not least with Westland which following the AOI settlement must rate as a real bargain. But maybe after the years of hard graft, the company and its shareholders deserve the odd break. The shares have risen nearly 150 per cent since December 1991 and the former high-yield stock is now paying out just 3.9 per cent. Those who argue the shares are still cheap point to forecasts that GKN's earnings could reach up to 100p over the next few years. At the very least, though, that would require all its markets to peak at the same time.

With the US car market already turning down, that appears unlikely. But investors are now being forced to take a long-term view – a rating of about 15 times next year's likely earnings is pretty demanding even for a company in GKN's commanding position.

FT-SE Index: 3167.0 (-1.6)



Source: FT Graphite

Scholes

Investors must clearly learn not to take at face value a company's recommendation of a bid. When the board of William Low recommended Tesco's initial offer, it did so in the hope that it would start an auction. The board of Scholes also found themselves in a corner last month and decided that only by recommending Hanson's offer could they provide shareholders with all the facts they needed to make a sensible decision. Scholes cannot withdraw its recommendation and still describes Hanson's price as fair. But it has now made it clear that it would be in the company's best interests to switch technology partners to Felten & Guilleaume rather than stay with ABB as under the Hanson terms. Its figures have also shown the scope for further profit recovery once sales turn, which may just tempt other bidders into the ring. Scholes' version of events directs no criticism at Hanson but its difficult relations with ABB are a reminder of how fraught relations between big companies and small ones can sometimes be.

WPP

The second coming of WPP has been far more striking than that of Saatchi & Saatchi, its great advertising rival. From a low point of £18m at the end of 1991, WPP's market capitalisation has risen to £640m. With its share capital due to be increased by 26 per cent next month – as the banks which were left holding preference shares two years ago convert into equity – that valuation will rise further. Although the placing could be a drag on the share price through the autumn, WPP could end the year with a market capitalisation twice that of Saatchi.

Shareholders who suffered massive dilution as part of the financial restructuring will not be celebrating.

But fund managers who thought they had seen the last of Mr Martin Sorrell's media conglomerate will have to decide whether to use the share placing as a means of climbing aboard. Judging by yesterday's figures, the foundations for a solid period of earnings growth are in place.

Revenue growth of around 4.5 per cent is unspectacular but well up with industry averages, in contrast to Saatchi. The target of 10 per cent operating margins – from 7.3 per cent now – looks within reach.

The group's £280m debt burden also looks less threatening now cash flow is improving and earn-out commitments are tailing off. Plans to float a minority interest in the market research side have been shelved as a result.

If WPP can work off more debt and negotiate a better deal on the remainder – it is currently paying the banks a whopping 2 per cent margin over interbank rates – earnings will benefit further. With a sensible capital structure and tight control of costs, advertising need not be the boom-to-bust business of old.

Standard Chartered

Yesterday's interim results from Standard Chartered will come as something of a shock to investors who have grown used to thinking of it as a high-growth, high-risk stock. Standard has been making commendable efforts to reduce risk in its balance sheet, but the cost appears to have been considerable in terms of growth. Operating profit in Hong Kong actually fell. Across the Asian region as a whole, operating return on gross assets fell by 10 basis points. The market will need time to be convinced that risks have been reduced, especially while the – admittedly non-financial – echoes of Mocatta and the Hong Kong authorities' censure continue to reverberate. The danger meanwhile is that Standard will appear a high-risk low-growth enterprise. Hence yesterday's 6 per cent fall in its share price.

Standard itself has a number of explanations for its Hong Kong result. Dealing profits were down; the bank was bidding up for deposits to secure funding beyond 1997; it was pulling back from riskier types of lending, for example in property. If one strips out merchant banking activities, operating profits in the territory were strongly ahead. The trouble is that none of this is quantified. The suspicion that banking margins are coming under pressure in Hong Kong also took its toll on HSBC yesterday.

Given its strong retail franchise in Asia's newly affluent markets, Standard's longer-term growth prospects ought to be good. Its strategy will be more convincing, however, if it can quickly show an ability to generate income growth from the more secure base which it claims to have created. It cannot rely much longer on falling bad debt provisions to boost earnings growth.

US healthcare bills boosted by backing of retired Americans

By Jurek Martin in Washington

The cause of US healthcare reform received an invaluable endorsement yesterday from the American Association of Retired Persons, representing 33m Americans. It backed both the House and Senate bills proposed by the Democrats and warned: "If either bill is defeated, healthcare reform will be dead for years to come."

The endorsement came after the healthcare reform debate had a civilised start in front of a packed Senate late on Tuesday. However, hostility was still rampant on the margins of the floor and away from it.

Senator Jesse Helms, the right-wing Republican from North Carolina, yesterday continued to try to prevent any debate at all. Both his parliamentary ruses aimed at halting the debate – amendments tagged on to unrelated issues – were voted down.

But threats of Republican filibusters of the healthcare bill itself remained, most often voiced by Senator Phil Gramm of Texas, who was accused by Mrs Hillary Clinton, in an interview, of "opportunism".

The Senate bill, sponsored by Senator George Mitchell, the majority leader, also won qualified approval from the Congressional Budget Office, which acts as score-keeper for the economic and budgetary ramifications of the competing health bills.

It found that the impact would "slightly reduce the federal budget deficit", though expanded insurance coverage "would add to national health expenditures".

The two principals in the Senate battle, Mr Mitchell and Senator Robert Dole, his Republican opposite number, had tried to start the debate on a high plane on Tuesday. That is always easier for Mr Mitchell, from Maine, a man whose bland demeanour belies his political toughness. He has, after all, threatened to keep the Senate sitting throughout the summer, if necessary, to complete action on his bill.

Mr Dole is more combative in public. He could not resist opening his speech by repeating three times the Republican mantra, "America has the best healthcare system in the world". But he, too, offered conciliation of a kind. "We believe there is a lot in our bill, a lot in Senator Mitchell's bill, a lot in other bills. We could go in a back room and in two or three days get a bill that could pass 99 to one."

In her interview, Mrs Clinton accused Republicans like Mr Gramm of "raving about socialised medicine".

Andalucia deals blow to González

Continued from Page 1

political manoeuvre designed to drive a wedge between the González government and its Catalan allies. The move comes after the failure of initial attempts to forge agreement between the Madrid government and the Catalan nationalists on next year's Spanish budget.

Mr Chaves described the vote as "a frivolous act". He said there was no evidence that the 15 per cent system worked against Andalucia's interests and warned that by rejecting it the region stood to lose up to Pta17bn ($138m).

The defeat shows up the Socialist party's vulnerability in Andalucia – which is also Mr González's home region – following regional elections in June. Mr Chaves, a former labour minister under Mr González, has been reinstated as regional president but with a minority in the 109-seat regional parliament.

The decision to hold the Andalucian elections on the same day as the European Parliament elections on June 12 opened Mr González to opposition charges that he was trying to influence the outcome of the European poll by stirring up his traditional support in the south. If that was his intention, it backfired badly.

The Socialists saw their 62 seats in the regional parliament in Seville cut to 45, while the conservative Popular party increased its presence from 26 to 41 and the communist-led United Left from 11 to 20.

Andalucia is the most populous of the 17 self-governing regions set up under Spain's 1978 post-Franco constitution, and is therefore crucial to the national political balance.

Greenspan

Continued from Page 1

exposure to risky financial instruments such as derivatives.

Regulators have been searching for ways to improve disclosure of banks' exposure. The proprietary trading desks of some banks were among heavy traders of highly leveraged financial instruments last autumn, and were hit hard by the rise in US interest rates on February 4 and the subsequent fall in markets.

Regulators are considering asking banks to report their exposure quarterly or even monthly to enable investors and counterparties in trades to assess a bank's risk.

Israel and PLO agree on series of high-level meetings

Continued from Page 1

destruction of Israel.

"I hope that on the Israeli side and the Palestinian side tension and violence will be reduced, and statements that undermine or are against what we are committed to will not be heard," he said.

A more confident Mr Arafat, who last week warned of an "explosion" unless Israel fulfilled its obligations, said he thanked Mr Rabin for an "honest and accurate implementation" of the peace accords. "Definitely we have some differences," he said, "but we have agreed to minimise all the differences between us."

Israeli officials said Mr Rabin rejected a PLO request to help with aid and financial/technical assistance to the embryonic Palestinian national authority, struggling to cope with the day-to-day problems of its 850,000 people. He did, however, support Mr Christopher's call for continued speedy release of foreign aid pledged to the authority.

Earlier, Mr Yossi Sarid, Israeli environment minister, said the aim of yesterday's summit was to reassure the PLO that Palestinians would not be cast aside by Israel's peace moves with Jordan.

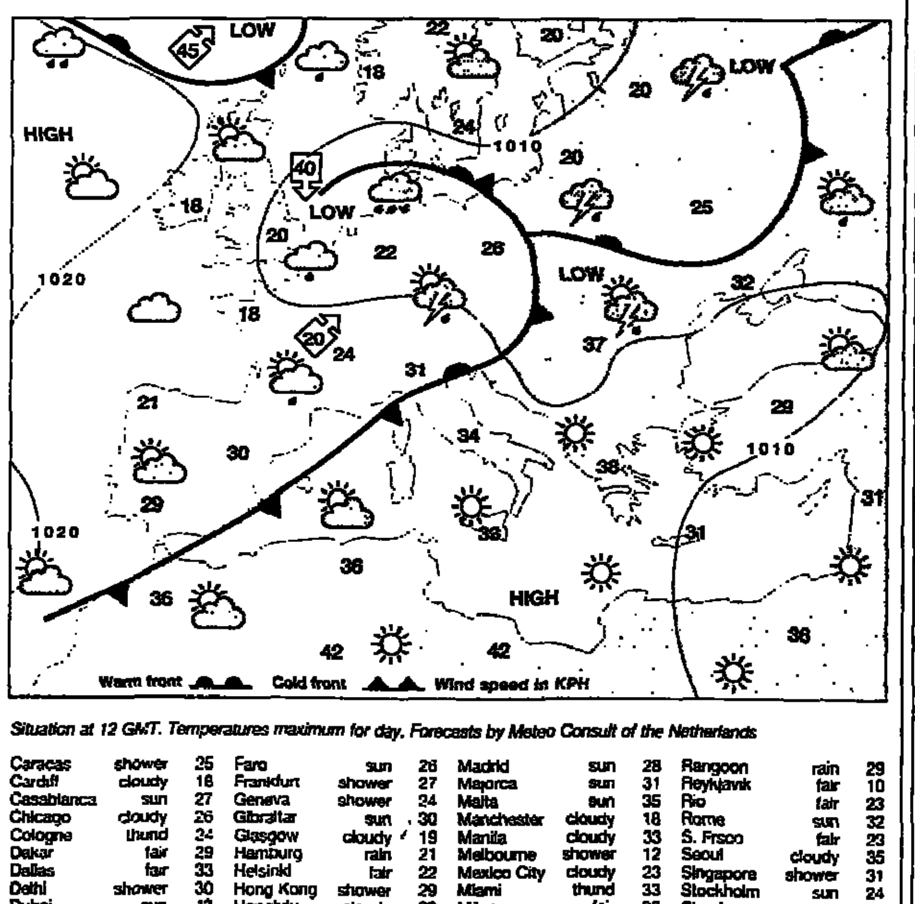
FT WEATHER GUIDE

Europe today

Western parts will be dominated by a depression moving across the Benelux towards northern Germany. Rain or thundery showers will occur in many places in the Benelux, France and Germany. The British Isles will be mainly dry but rather cloudy with rain in the south moving into north-west France. The Alps will have numerous thunder showers as unstable air moves in from the west. The Balkans will be hot to very hot with temperatures up to 38C before the cooling effect of thunder showers at the end of the day. Mediterranean countries will stay sunny and warm but northern Italy will have increasing cloud.

Five-day forecast

North Sea countries will gradually become more settled but rather cool. The Low Countries are expected to be windy on Friday. The Mediterranean area will be little changed but thunder showers may erupt in Spain towards the weekend. Scandinavia will become more unsettled during the weekend but sunshine is expected to increase.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	43
Accra	thund	30
Algiers	sun	36
Amsterdam	rain	21
Athens	sun	36
Atlanta	fair	32
B. Aires	fair	18
B.ham	shower	19
Bangkok	shower	33
Barcelona	sun	28
Beijing	cloudy	32
Belfast	fair	18
Belgrade	fair	38
Berlin	rain	25
Bermuda	fair	32
Bogota	fair	22
Bombay	rain	32
Brussels	shower	23
Budapest	thund	33
C.hagen	rain	22
Cairo	sun	36
Cape Town	fair	15
Caracas	shower	25
Cardiff	cloudy	18
Casablanca	sun	27
Chicago	cloudy	26
Cologne	thund	24
Dakar	fair	29
Dallas	fair	33
Delhi	shower	30
Dubai	sun	43
Dublin	fair	18
Dubrovnik	thund	34
Edinburgh	cloudy	16
Faro	sun	26
Frankfurt	shower	27
Geneva	shower	24
Gibraltar	sun	30
Glasgow	cloudy	19
Hamburg	rain	21
Helsinki	fair	22
Hong Kong	shower	29
Honolulu	cloudy	33
Istanbul	sun	32
Jakarta	fair	29
Jersey	rain	19
Karachi	cloudy	34
Kuwait	sun	45
L. Angeles	sun	24
Las Palmas	sun	27
Lima	fog	18
Lisbon	fair	25
London	rain	21
Lux.bourg	thund	22
Lyon	shower	27
Madeira	fair	26
Madrid	sun	28
Majorca	sun	31
Malta	sun	35
Manchester	cloudy	18
Manila	cloudy	33
Melbourne	shower	12
Mexico City	cloudy	23
Miami	thund	33
Milan	fair	30
Montreal	fair	26
Moscow	rain	18
Munich	thund	26
Nairobi	fair	24
Naples	sun	34
Nassau	shower	32
New York	fair	33
Nice	fair	29
Nicosia	sun	35
Oslo	sun	24
Paris	shower	23
Perth	shower	18
Prague	thund	26
Rangoon	rain	29
Reykjavik	fair	10
Rio	fair	23
Rome	sun	32
S. Frsco	fair	23
Seoul	cloudy	35
Singapore	shower	31
Stockholm	sun	24
Strasbourg	rain	26
Sydney	shower	15
Tangier	sun	25
Tel Aviv	sun	33
Tokyo	fair	28
Toronto	shower	20
Vancouver	shower	22
Venice	fair	32
Vienna	thund	29
Warsaw	fair	28
Washington	fair	30
Wellington	fair	13
Winnipeg	rain	28
Zurich	shower	23

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday August 11 1994

IN BRIEF

SEC urged to widen 'soft dollar' rules

Two prominent US legislators called on the Securities and Exchange Commission yesterday to introduce new rules requiring investment managers to disclose more information about their so-called "soft dollar" arrangements with securities brokers and dealers. Page 15

Banesto loss less than expected
Banco Español de Crédito (Banesto), the Spanish bank which came under the control of Banco Santander in April in the final phase of a rescue operation, reported a lower-than-expected loss of Pta21.8bn ($168m) in the first half and forecast that it would almost break even for the year. Page 14

Shares slide 7% at Novo Nordisk
Falling bond prices and the costs of merging two US companies led to a fall in pre-tax profits at Novo Nordisk, the Danish pharmaceuticals and industrial enzymes group. The group's shares slid 7 per cent yesterday. Page 14

Cathay Pacific fails to match forecasts
Weak business in Europe and Hong Kong led to a lower than expected result at Cathay Pacific Airways, Swire Pacific's Hong Kong-based international airline. Interim earnings increased by 18 per cent but the dividend was held at 10.5 cents. Page 14

Watchdog suspends BPA shares
Portugal's securities exchange commission has suspended shares in Banco Português do Atlântico amid heavy buying attributed to core shareholders defending the bank from a hostile bid by Banco Comercial Português. Page 14

Swiss inquiry into alleged insider dealing
A preliminary inquiry has been launched into suspicions of insider trading in the shares of Fust, a Swiss household appliances retailer. Fust was part-acquired by Grands Magasins Jelmoli, a leading department stores group, in a controversial deal announced last Friday. Page 14

SCI cleared for Great Southern takeover
The UK's takeover panel yesterday refused to attempt to block Service Corporation International's revised offer for UK funeral company Great Southern Group. Loewen, the Canadian funeral group, was trying to prevent SCI from raising its bid, because the US company made a "final" 680p offer which omitted a standard clause allowing this to be raised in the event of competition. Page 16

WPP lifts profit by 50%
WPP, the UK marketing services company, yesterday put the flotation of part of its market research business on to the back burner after reporting a 50 per cent advance in pre-tax profits – in line with expectations. Page 17; Lex, Page 12

Hickson shares fall on flat profits
Intense price competition and volatile demand led to flat first-half profits at Hickson International, the UK speciality chemicals group. The group's shares fell 9p to 168p on pre-tax profits virtually unchanged at £12.1m ($18.75). Page 19

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
Preussag	488	+	4.8
Rheinelektra	1394	+	36
Falls			
Degussa	502.5	–	11
Lahmeyer	688	–	7
Linotype	391.5	–	15
Sud Chemie	550	–	10

NEW YORK ($)

Rises			
Lotus	38⅝	+	3
Minnesota Min	55⅞	+	1
Proctor Gamble	54⅝	+	1½
Union Carbide	33⅝	+	¾
Falls			
Dillard Dept	27⅝	–	4⅝
General Elec	47⅝	–	1

New York prices at 12.30.

LONDON (Pence)

Rises			
BPP	225	+	10
Bridport Gundry	94	+	5
Brit. Bio-Tech	398	+	12
Courtaulds	548	+	10
Glaxo	629	+	17
Metal Bulletin	485	+	25
Rolls-Royce	201	+	5
Sharpe & Fisher	194	+	8
Trinity Hldgs	322	+	12
Tunstall	238	+	13
Ward Hldgs.	72	+	5
Westminster Hlth	336	+	12
Whitbread	543	+	11
Falls			
DCS	55	–	8
Gen. Accident	583	–	7
HSBC	778	–	16½
Hickson Intl.	168	–	9
London Elect.	584	–	13
Stand.Chartered	259	–	16
Transport Devt.	227	–	8
Union	126	–	8
Warburg (SG)	764	–	13
Wolseley	844	–	15

PARIS (FFr)

Rises			
Essilor	799	+	13
Falls			
Canal Plus	918	–	18
Credit Local	400	–	11
Imetal	613	–	13
Immobanque	775	–	20
SILIC	768	–	31

TOKYO (Yen)

Rises			
Maruha	452	+	28
Showa Denko	372	+	5
Sumitomo Chem	654	+	10
Falls			
Mitsumi Elec	1550	–	180
NEC	1240	–	10
Toshiba	768	–	8

P&G surges 24% in quarter

US consumer products group helped by sales and lower costs as full-year earnings reach $2.2bn

By Richard Tomkins in New York

A 7 per cent increase in the volume of goods sold combined with the effect of lower costs helped Procter & Gamble, the US consumer products group, report a 24 per cent surge in underlying profits for its fourth quarter.

Net earnings in the three months to June were $406m compared with an underlying $327m last time – though the figure actually reported last year was a loss of $1.55m because of restructuring charges.

Turnover rose 2 per cent to $7.5bn. The company said the increase would have been 4 per cent but for shifts in exchange rates and lower pricing. Earnings per share were 56 cents against last year's underlying 44 cents.

In July last year Procter & Gamble announced that it was to cut costs by closing 30 plants and shedding 13,000 jobs, or 12 per cent of its workforce. The move came in response to competition from low-cost and private-label products.

Mr Edwin Artzt, chairman and chief executive, said yesterday the latest quarterly results reflected progress towards the group's cost reduction objectives, along with a unit volume growth of 7 per cent worldwide.

For the year as a whole, profits were affected by the $102m charge to net profits that Procter & Gamble took in April to cover losses on an ill-fated foray into derivatives. This left net earnings at $2.21bn, or $2.91 a share. The previous year, the company made net profits of $2.02bn, or $2.81 a share, before the restructuring charge.

Unit volume was up 5 per cent on the year with every sector and geographic region recording increased shipments, the company said: and in spite of the derivatives loss, earnings were still ahead 10 per cent. "This was a good year, and if not for the derivatives loss, it would have been a great year," said Mr Artzt.

The results came the day after American Home Products, the US drug manufacturer, filed a lawsuit against Procter & Gamble accusing it of making false claims in advertisements for its new non-prescription drug Aleve.

The move turns the tables on Procter & Gamble, which is aggressively litigious in defence of its own products. Just three weeks ago Procter & Gamble filed a lawsuit against Evron Industries, a Chicago-based maker of hair care products, claiming that Evron was selling goods in packages that infringed the design of Procter & Gamble's Pantene Pro-V and Head & Shoulders products.

In Europe, meanwhile, Procter & Gamble is waging a bitter campaign against its rival Unilever over the Anglo-Dutch company's new-generation detergent, Persil Power.

Hoogovens returns to the black

By Ronald van de Krol in Amsterdam

A strong turnround in steel enabled Hoogovens, the Dutch metals group, to swing back into a net profit of Fl63m ($35m) in the first half from a net loss of Fl189m in the same period of 1993.

The company's second biggest business, aluminium, saw a marked improvement in the first six months of 1994 but it remained in the red overall.

Hoogovens forecast a further "considerable" rise in the second half, before extraordinary items. It said steel profits should see a substantial rise, while losses in aluminium were expected to lessen.

The first-half results were at the top end of analysts' forecasts. The company's shares jumped 4.7 per cent to close up Fl3.60 at Fl80.70, helped by Hoogovens' optimism for the rest of the year.

Commenting on the turnround, Hoogovens said the pace of European economic recovery had been quicker than anticipated earlier in the year. "The improvement is due, among other factors, to increasing exports, with the strength of the US economy having a beneficial influence," it said.

Group turnover rose 4.1 per cent to Fl3.67bn, while operating profits surged to Fl209m from a loss of Fl42m a year earlier.

The steel division, which had already begun to emerge from losses in the second half of last year, posted pre-tax profits before extraordinary items of Fl163m, compared with a loss of Fl70m.

Hoogovens attributed the improvement to cost-cutting, a rise in selling prices, and stable prices in Dutch guilders for raw materials such as iron ore and coal.

In aluminium, losses were halved to Fl64m. Although sales of rolled and extruded aluminium products rose, selling prices fell compared with early 1993.

The performance was also helped by a decline in financial charges to Fl96m from Fl121m a year earlier. A string of divestments of smaller subsidiaries and associate companies cut net borrowings by more than Fl300m.

The company's continued cost-cutting has led to a further drop in the size of its workforce to just below 20,500 employees from nearly 24,150 in the summer of 1993.

Standard Chartered shrugs off Mocatta upsets

By John Gapper, Banking Editor

Standard Chartered, the UK-based international bank, insisted yesterday that upsets in the Hong Kong securities market and its bullion trading arm Mocatta had not affected profits and were unlikely to be repeated.

It said the incidents which led to a ban on it underwriting new securities issues in Hong Kong, and allegations that its staff bribed officials in the Philippines and Malaysia were due to tightening of its internal audit procedures.

The bank increased its interim dividend 20 per cent to 2.25p, against 1.875p, as it disclosed a rise in pre-tax profit for the first six months to £237m ($367m), compared with £170m. Earnings per share rose to 14.7p from 9.3p.

Mr Patrick Gillam, chairman, said that the ban on Hong Kong underwriting until next April had "no effect on these figures of any significance at all" because the market in initial public offerings in the UK colony was going through a lull.

Mr Gillam did not expect such incidents to occur again, although he added: "I cannot say we will never find anything else. We employ 30,000 people in a lot of countries, and people are people."

Loans and advances to customers were flat at £17.1bn, and Mr Malcolm Williamson, chief executive, said Standard Chartered was running down assets linked to commercial property in Hong Kong and other Asia Pacific countries because of the risk.

Profits in Hong Kong fell to £108m from £122m, partly due to a 20 per cent narrowing of its net interest margin. Mr Peter Wood, finance director, said this had mostly been caused by it taking on some $2bn in longer-term liabilities to match assets.

African profits rose to £18m from £5m, and growth in India contributed to a £30m profit in the Middle East and South Asia, compared with a £7m loss. Standard Chartered is appealing against a £7.3m fine over its part in the Bombay securities trading scandal.

Income from foreign exchange and securities dealing fell marginally to £103m from £104m. Net revenue rose to £812m from £779m, and expenses rose 7 per cent to £518m. Provisions for bad debts fell to £69m from £128m.

The tier 1 capital ratio of shareholders' funds to assets weighted by risk rose to 7 per cent from 5.4 per cent. Its shares closed 16p down at 259p.

Lex, Page 12

Hugh Carnegy finds Swedish institutions flexing their muscles

No longer the family's faithful followers

The snub dealt this week by Swedish institutions to Charter, the UK industrial group, over its bid for Esab, the world's leading welding equipment supplier, was a strong reminder that minority shareholders in Sweden are no longer content to play the role of faithful followers to big owners such as the Wallenberg family.

The rejection by five institutions of a £260m ($400m) bid, recommended by the Esab board, carried echoes of the shareholder revolt which last December blocked the merger between Volvo and France's Renault – to date the most spectacular flexing of Swedish institutional muscle.

Two of the institutions that gave Charter the thumbs down, the state pension fund known as the 4th Fund and the insurance group Skandia, were leading rebels against the Volvo board.

This week it was the turn of the Wallenberg empire to suffer an institutional rebuff – albeit a much less violent one. Esab, which like Volvo is based in Gothenburg, has been controlled by the Wallenbergs through the industrial group Incentive. Incentive in June accepted Charter's offer of SKr345 per share for its near 50 per cent stake with some alacrity to help pay for its SKr8.4bn ($1.1bn) takeover of Cardo, an industrial investment offshoot of Volvo. But Esab's share price then shot up, wiping out the 20 per cent premium in Charter's offer.

When Esab's strong half-year results sent the share price even higher this week, institutional shareholders decided the bid was underpriced. "Incentive got their timing completely wrong," said one senior institutional shareholder. Incentive and Charter, on the other hand, still insist that the offer is fair.

It was not the first time this year that institutions have held out against Incentive. In June, three Cardo shareholders, including Skandia, objected to the original terms for the Incentive takeover of shares not held by Volvo and won a revision of the bid.

A non-Swedish investment banker involved in the Volvo-Renault negotiations says the days of "sweetheart deals done in the sauna – and never mind the other shareholders" are over. "You have to demonstrate to shareholders that you have done everything right."

Analysts in Stockholm say the Wallenbergs have taken this on board. It would no longer be possible to push through a deal like that in 1991, when the Wallenbergs shifted Incentive out of Asea, forcing minority shareholders to accept a dilution of their stake in the half-owner of the Swedish-Swiss combine Asea Brown Boveri.

In Charter's case, the UK company appears to have miscalculated the extent to which Swedish institutions now defend their interests. Having reached agreement with the Esab board and Incentive, Charter executives proclaimed that the rising Esab share price – usually on low volumes – was nothing more than a brazen attempt to squeeze more out of the bidder. By the time Mr Jeffrey Herbert, Charter chief executive, and his colleagues arrived in Stockholm on Tuesday to see shareholders, it was too late. They were met by a series of public announcements of bid rejections. This snookered Charter because it needed 90 per cent acceptances.

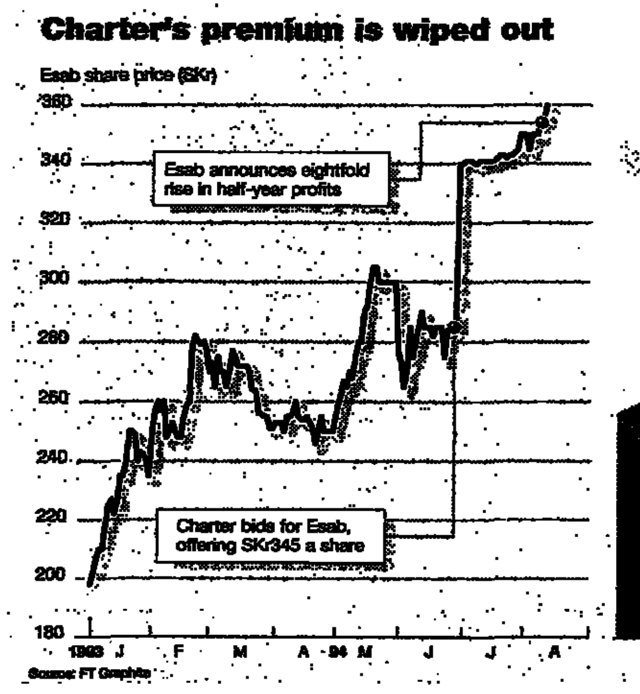
Undoubtedly, a perception among the shareholders that Charter was behaving arrogantly did not help. This, and a trade union campaign portraying Charter as an unwelcome foreign predator, was also reminiscent of the more hysterical moments in the Volvo-Renault affair.

The institutional shareholders have insisted that their objections lie simply in the bid price. Indeed, last year Swedish minority shareholders praised the takeover of Nobel Industries by Akzo of the Netherlands.

In the case of the Renault merger, the institutions did have strategic objections to the plan to shift Volvo's core car and truck making operations under the wing of a state-owned French company. "Since then the consciousness of the ownership role we play has risen substantially," said an institutional shareholder.

But the new-found assertiveness has mainly applied to deal terms, rather than seeking real influence over corporate strategy. The power exercised by the Wallenbergs over their companies – often through less than majority stakes – has not been seriously challenged.

Charter's premium is wiped out



Charter's chief executive, Jeffrey Herbert

Shares in Esab yesterday rose further ahead of Charter's bid price amid speculation that the UK industrial group would raise its offer. Esab B shares rose SKr5 to SKr360. Senior Charter executives yesterday met Swedish shareholders whose rejection of the offer has derailed the UK group's intention to take complete control. "There is still room for us to get a better price and for them to get a good deal," said one shareholder. The deadline for the offer is Friday.

THE RECALCITRANT SHAREHOLDERS

Shareholder	Percentage of Esab voting capital
4th General Pension Fund	6.2
Wasa Insurance	4.7
Föreningsbanken	4.0
Skandia Insurance	2.55
Kammarkollegiet (state investment fund)	2.4

Scholes jibs at Hanson bid after warning from ABB

By David Wighton in London

Scholes Group, the UK electrical equipment maker which last month agreed to a £96.1m takeover bid from Hanson, the Anglo-US conglomerate, yesterday took the unusual step of saying it was open to higher offers.

Mr Bill Riches, chairman, said: "Clearly I want the best possible deal for shareholders and if there are any other potential bidders out there it is obviously in their interests for all the information to be presented."

He denied he was directly soliciting a higher offer, but said the board had recommended the Hanson bid only so it could present its own case to shareholders, particularly regarding its relationship with ABB, the Swedish-Swiss electrical giant, from which it has key technology on licence. Scholes revealed that ABB had warned that it would end the agreements if Hanson's offer were not successful. ABB has given an irrevocable undertaking to accept Hanson's offer in respect of its 4.3 per cent stake.

Originally Scholes wanted to buy Hanson's Crabtree business. But Mr Riches said Scholes could not accept the conditions ABB had placed on its support for a rights issue.

Following ABB's warning, Scholes started discussions with Felten & Guilleaume, a German electricals group, to replace ABB's technology. Mr Riches was confident that Scholes could reach an agreement if the Hanson offer were not concluded and this "would be in the best interests of Scholes".

Although the Scholes board judged the offer "fair", he said it had only recommended the bid because a hostile offer document would have given "an unfair view of the company's situation".

Scholes' results for the year to June showed pre-tax profits jumping 63 per cent to £7m on turnover just 5 per cent higher at £66m. It said in the absence of the Hanson offer it would have recommended a 25 per cent dividend increase. Hanson's offer of 250p a share in cash represents 20 times earnings, which rose 60 per cent to 12.3p.

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Banesto loss of Pta21.8bn not as deep as expected

By David White in Madrid

Banco Español de Crédito (Banesto), the Spanish bank which came under the control of Banco Santander in April in the final phase of a rescue operation, reported a lower-than-expected loss of Pta21.8bn ($168m) in the first half of the year and forecast that it would almost break even for the year.

Initial estimates made at the time of the auction were that the bank was losing some Pta55bn a year, indicating a first-half loss of around Pta27bn.

Banesto said there was no comparable figure for the same period of 1993. Following the Bank of Spain's intervention and a revision of Banesto's accounts, losses for the whole year were put at Pta577bn.

The bank said the half-year performance reflected improved management following the intervention rather than the impact of financial support for the bank, which would be more evident in results for the second half of the year.

The rescue package involved a Pta180bn capital injection, the purchase of Pta285bn worth of non-performing assets by the Deposit Guarantee Fund, and a Pta315bm zero-interest loan to offset current losses.

The bank said it had recovered most of the customer deposits lost during the crisis. In June and July deposits increased at a rate of Pta150bn a month.

The half-year figures, showing an operating margin of Pta58.6bn for the parent bank, are the first evidence of the impact of the chairmanship of Mr Alfredo Saenz, who was appointed by the Bank of Spain and kept in place by the new controlling shareholder.

"Between May and August a series of management measures have been put in place which have contributed decisively to improving the results," the bank said. More detailed figures are expected at the bank's annual meeting on August 22.

Shares slip as Novo Nordisk disappoints

By Christopher Brown-Humes in Stockholm

Shares in Novo Nordisk slid 7 per cent yesterday after the Danish pharmaceuticals and industrial enzymes group disclosed lower first-half profits and a reduced forecast for the full year.

The group blamed the costs of merging two US companies and unrealised bond losses for the 7 per cent fall in pre-tax profits to DKr734m ($117.76m) from DKr788m.

It said falling bond prices meant it no longer expected 1994 profits to increase at a relatively faster pace than last year, when the pre-tax result climbed 11 per cent to DKr1.86bn. This year's increase will be "slightly lower" than last year, it stated. The group's shares fell DKr49 to DKr617 in heavy turnover.

Novo stressed that its underlying businesses had performed in line with expectations, with sales climbing 15 per cent to DKr6.58bn due to larger volumes, an improved product mix and currency factors.

But costs rose more than sales – climbing 18 per cent to DKr6.07bn – due to efforts to build up the company's international production and sales organisation.

The results were also hit by a DKr80m provision for the planned merger of two US companies in 1995 as well as a DKr75m unrealised loss on the group's bond portfolio. The US provision relates to relocation and severance costs and property write-downs.

Healthcare sales climbed 15 per cent to DKr4.37bn. Diabetes sales accounted for DKr3.08bn of the total, a 9 per cent rise helped by an improved insulin product mix. Enzymes sales climbed 14 per cent to DKr1.77bn while ferrosan sales were 32 per cent higher at DKr310m.

Net income fell to DKr550m from DKr595m, while earnings per share fell to DKr14.66 from DKr15.87. Second half sales are expected to be higher than in the first half.

Cathay Pacific ahead at HK$803m

By Louise Lucas in Hong Kong

Cathay Pacific Airways, Swire Pacific's Hong Kong-based international airline, yesterday reported first-half 1994 earnings of HK$803m (US$104m), up 18 per cent from the HK$681m reported for the same period last year. However, the dividend is being held at 10.5 cents.

The results, which come after a 23.8 per cent drop in profits in calendar 1993 and a flat 1.9 per cent growth in 1992, were lower than the market had been expecting and reflected continuing difficulties in the airline industry, Mr Peter Sutch, chairman, said.

Business to Europe remained weak, as did the Hong Kong market.

"The boycott of tours to China by Taiwan travel agents [prompted by the murder of Taiwanese tourists at a Chinese beauty spot] reduced passenger numbers in one of our most important markets in the second quarter and led us to suspend nearly 100 round-trip flights between Hong Kong and Taiwan," Mr Sutch said.

"Downward pressure on yields and overcapacity in the air transport industry generally, compounded by high inflation in Hong Kong, continues and shows no sign of ending soon," he said.

Cathay Pacific is tackling these areas by increasing its focus on customer needs and identifying means of improving productivity.

Earlier this week pilots agreed to sign new contracts increasing their working hours, and senior and middle management structures have been streamlined. Staff numbers overall have swollen by 543 people year-on-year.

Earnings per share rose in line with overall profits, to 28 cents for the interim, compared with 23.8 cents in the same period last year.

Revenues on passengers and excess baggage rose 12.5 per cent in the first half of this year compared with the same period last year, although yields slipped 1.9 per cent.

The number of passengers carried increased 12.9 per cent to 4.6m.

Analysts said May and April yielded disappointingly low traffic, especially in the light of a big jump in Japanese arrivals to the colony.

Net finance charges increased by HK$139m year-on-year; however, the drop in interest earnings from managed funds more than offset the decrease in interest charges.

Mr Sutch said the group traditionally enjoyed a better second half, and expected this to remain true for 1994.

Sharp half-year rise at GKN

By Bernard Gray in London

Profits at GKN, the UK automotive components and defence engineering group, rose by 62 per cent to £97m ($150.35m) in the first half of 1994, from £60m in the first half of the previous year. The rise came in spite of a smaller increase in turnover, which was up by only 9 per cent to £1.516bn from £1.387bn.

Much of the improvement came as a result of a continuing programme of cost-cutting and an upturn in several of GKN's businesses. The rise in profits was even more notable if the impact of the recently-acquired Westland was excluded. Without Westland operating profits were up by 29 per cent while turnover was up by only 3 per cent.

Margins improved in the automotive components business as costs were cut in manufacturing plants in Germany and the UK, and the continental European car market started to recover in the second quarter of the year.

Sir David Lees, GKN chairman, said that the French and Spanish car markets were particularly strong as the impact of government tax incentives for new car purchase came through.

He added that the recovery in the UK and US car markets continues, while the important German market is still depressed. Overall, the company expects western European car production to grow by about 7 per cent this year.

The company continues to cut costs and spent a further £10m on redundancy and restructuring in the first half of the year, although it expects a lower figure in the second half of the year.

Production of the company's Warrior armoured vehicle fell as a contract for the British Army neared completion. It should, however, pick up again towards the end of the year as the company starts manufacturing the Warrior for Kuwait. Profits in the automotive and engineered products division, which includes defence, were up by 29 per cent to £62m from £48m.

Earnings per share rose by 73 per cent to 16.6p from 9.6p and the interim dividend was maintained at 8p. The shares closed 6p higher at 657p.

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Investigation into share dealing at Fust

By Ian Rodger in Zurich

A preliminary inquiry has been launched into suspicions of insider trading in the shares of Fust, a Swiss household appliances retailer part-acquired by Grands Magasins Jelmoli, a leading department stores group, in a controversial deal announced last Friday.

Shares in Fust soared to SFr440 last Thursday from SFr390 a week earlier, prompting Jelmoli to bring forward the announcement of its bid by about a week and to consider asking for an investigation.

The Zurich prosecutor's office announced yesterday that it had started a preliminary investigation to discover whether people with inside knowledge of the impending deal were buying.

Insider trading became a criminal offence in Switzerland in 1988 but so far no one has been successfully prosecuted on an insider charge.

Meanwhile, a row continues to simmer over the terms of the deal because Jelmoli has paid a higher price to the controlling Fust family for their shares than it is offering to minority shareholders.

Jelmoli, in which UTC International of Basle has a 50.01 per cent voting stake, has acquired 34 per cent of the capital and 51 per cent of the voting rights in Fust from the controlling Fust family for SFr141.5m ($107.1m) in shares and cash.

The purchase was based on an average market price of SFr410 for the group's bearer shares between February and May this year.

Jelmoli said that in deference to minority shareholder protection provisions in a new stock exchange law coming into force next year it would make an offer to buy shares from other Fust shareholders, but only at SFr390 per share.

Mr Peter Leumann, finance director of Jelmoli, said that Mr Walter Fust, chief executive of Fust, had not wanted any offer to be made to minority shareholders because he was afraid so many shares might be turned in that the company could no longer be publicly traded.

Both Jelmoli and Fust are recommending that minority shareholders hang on to their shares. Mr Leumann said Fust profits were set to rise rapidly and shareholders should do very well.

He said that the groups' financial advisers argued strongly for an offer to minority shareholders. In the end, it was equivalent to the strict minimum provided in the new stock exchange law, that is, the market price for the shares.

The bearer shares were traded at SFr390 on July 28, the day the deal was concluded. Mr Leumann said that was purely a coincidence. The price was selected because it was the average market price between May and July.

Watchdog halts trading in BPA

By Peter Wise in Lisbon

Portugal's securities exchange commission (CMVM) yesterday suspended shares in Banco Portugués do Atlântico amid heavy buying attributed to core shareholders defending the bank from a hostile bid by Banco Comercial Portugués.

A group of 13 Portuguese companies, BPA's core shareholders, are believed to have bought up to 2m shares over the past few days, increasing their stake from 27.4 per cent to more than 29 per cent.

BCP, Portugal's fifth largest bank, is offering Es132bn ($821m) for a controlling stake of 40 per cent of BPA, the country's second biggest.

BPA shares were quoted at Es2,650 before the CMVM suspended trading indefinitely. They had gained 31.8 per cent since BCP announced its cash offer of Es3,000 a share on July 26. Dealers said the main sellers were investment funds and small shareholders.

The executive board at BPA, on which the core shareholders are not represented, has formally rejected BCP's offer.

The CMVM did not specify its reasons for suspending BPA shares but dealers said the move had been expected.

Cuts in bills promised to UK electricity users

By Michael Smith in London

Professor Stephen Littlechild, UK electricity industry regulator, will promise electricity users in England and Wales savings of £2.5bn ($3.87bn) over the next five years as he unveils price controls which seem likely to disappoint consumer organisations.

The controls will cut allowed revenue in the 12 regional electricity companies' distribution businesses by between 11 and 17 per cent in the year from next April and will restrict price rises to 2 per cent below the rate of inflation in each of the following years.

If accepted by the companies, the controls could cut electricity prices by at least 3 per cent from next April, with further, but smaller, reductions possible in future years.

Distribution charges make up about a quarter of the typical electricity bill.

The controls represent a significant tightening of rules which have been in place since the industry's privatisation four years ago and have allowed the regional companies to increase distribution revenues by up to 2.5 per cent above inflation.

Leaked letters from Prof Littlechild's office to the companies earlier this year prompted analysts to suggest that allowed revenues could be cut by as much as 30 per cent next April with rises in subsequent years restricted toinflation minus 4 per cent.

In his report, to be released early this morning, Prof Littlechild stresses that the tightening of the controls will lead to the average domestic customer making savings of about £70 to £90 over the five-year period.

Professor Littlechild also argues that the companies whose allowed revenue will fall by 17 per cent in the first year cut on the equivalent of an inflation minus 7.5 per cent formula over each year of the five year period.

The companies suffering an initial 14 per cent reduction in allowable revenue are on the annual equivalent of inflation minus 6.5 per cent, and those suffering 11 per cent cuts are on the equivalent of inflation minus 5.5 per cent.

Any companies which reject the regulator's conclusions will have the opportunity to challenge him at the Monopolies and Mergers Commission.

SEC urged to widen rules on 'soft-dollar' disclosure

By Patrick Harverson in New York

Two prominent US legislators called on the Securities and Exchange Commission yesterday to introduce new rules requiring investment managers to disclose more information about their so-called "soft dollar" arrangements with securities brokers and dealers.

In a letter to Mr Arthur Levitt, the SEC's chairman, Mr Edward Markey, chairman of the House of Representatives' telecommunications and finance subcommittee, and Mr Jack Fields, senior Republican on the subcommittee, urged the SEC to "give high priority to enhancing disclosure" in the soft-dollar business.

They claimed the business raised conflicts of interest questions about investment managers' activities, and potentially interfered with the execution of customer orders on financial markets.

Soft dollars, known in the UK as "soft commissions", is the term given to the practice of institutional investors channelling a portion of their securities trading business through particular brokers in return for services such as the provision of brokerage research or electronic data products, or for discounts on other transaction fees.

The value of commissions with such strings attached is estimated to exceed $1bn a year in the US.

Although the two legislators acknowledged in their letter that the SEC was about to introduce new rules requiring mutual funds to disclose soft-dollar relationships with broking firms, they asked Mr Levitt to broaden the requirements to include not just mutual funds but all kinds of investment advisers.

The SEC is expected to issue its new rules for mutual funds today, but there was no indication yesterday that the agency would broaden the edict on soft dollars.

The legislator's concerns, however, are likely to be met sympathetically at the SEC. Mr Levitt has expressed his dissatisfaction with the soft dollar business on several occasions.

Downturn at Federated Stores

By Richard Tomkins in New York

Federated Department Stores, the US retailer that last month succeeded in winning the rival R.H. Macy's agreement to a merger, suffered a sharp downturn in profits in its second quarter to July.

The company blamed costs associated with the integration of 10 Joseph Horne stores acquired during the period.

Net profits fell to $3.8m from $8.9m, but Federated said that without the one-time costs relating to the Horne acquisition, they would have more than doubled to $19.9m.

Turnover increased by 6 per cent to $1.6bn, while increased efficiency helped the group lower operating expenses to 33.5 per cent of sales from 36 per cent.

Earnings per share fell to 3 cents from 7 cents, but would have risen to 16 cents without the one-time costs.

Federated Department Stores' net income for the first six months was $36m with the one-time costs and $52.1m without them. The comparable figure was $30.6m before an extraordinary item.

R.H. Macy is in Chapter 11 bankruptcy protection but last month Federated reached agreement with Macy and its creditors on a $4.1bn reorganisation plan that would bring Macy's store chains under Federated's ownership.

Yesterday Mr Alan Questrom, Federated's chairman and chief executive, said he expected the reorganisation and merger to be completed by the end of the fourth quarter.

Mr Questrom added that the existing operations would seek to improve profitability further in the second half by keeping costs under control while focusing on an acceleration in store-for-store sales growth in the 3 to 4 per cent range.

Confederation Life to sell UK arm

By Scheherazade Daneshkhu

Confederation Life, Canada's fifth largest insurer, is to sell off its entire UK operation.

The financially troubled insurer said talks were under way with a "financial services company of significant financial strength", for the sale of Confederation UK Holdings, which made pre-tax profits in 1993 of £27.9m (US$43.24m) against £14.2m in 1992.

Premium income last year was £629m, compared with £715m.

Mr Alec Wright, communications manager for the UK operation, said the sale would be used to restore the parent company's capital base which had suffered as a result of falls in property values since the late 1980s.

Confederation's UK arm, which began trading in 1906, is one of the leading providers of pooled pension products for medium-sized companies.

The mixed pooled fund is the second largest in the UK with assets of £2.8bn and the investment management division has £5.4bn of assets under management.

Its team of 850 direct sales agents markets a range of unit-linked individual insurance contracts, including standard term and savings products.

The announcement follows year-long talks with Great-West Life Assurance, which is controlled by Montreal-based Power Corporation, about a capital injection and the disposal of part or all of the UK operation.

O&Y's US creditors in foreclosure proceedings

By Bronwen Maddox in New York

Creditors of the US arm of Olympia & York, the failed Canadian property group, said they no longer intend to pay O&Y $3.5m under the terms of a deal struck in March.

The unofficial committee of the creditors, who hold $200m in bonds secured by a property in lower Manhattan, added they would begin foreclosure proceedings this week to gain ownership of the building.

The move was prompted by "Olympia & York's unwillingness or inability to address in a timely manner major substantive issues" of its reorganisation, the committee said.

In March, the holders of mortgage notes secured by the property, 59 Maiden Lane, agreed to pay O&Y $3.5m in return for an agreement to transfer ownership.

The deal was seen as quietening a combative group of creditors at a time when the group was is struggling to restructure $5bn of debt.

The creditors say they are taking a "non-consensual approach" to securing ownership. They plan to file a foreclosure complaint, the first step of proceedings, with the Supreme Court of New York state later this week.

NationsBank of Tennessee, the trustee for the mortgage notes, which will pursue foreclosure proceedings under the committee's direction, will distribute $7m to note-holders on August 22 from excess cash-flow generated by the building, the committee said.

Armco sells off insurance operations

Armco, the US steel group, is selling its on-going insurance operations to Vik Brothers Insurance, a privately held, property and casualty insurance holding company, AP-DJ reports.

The transaction is valued at about $85m.

Armco recorded a $45m charge against 1993 fourth-quarter earnings in connection with the proposed sale.

An Internet for business users

IBM sees global networking as the new trend in IT, writes Louise Kehoe

International Business Machines has put global networking to the fore. The US computer company is setting up business units for networking services and applications, signalling its intention to leap-frog competitors in what it believes is a new trend in information technology.

"Network-centric computing will be the next big thing in information technology," says Mr James Cannavino, IBM senior vice-president of strategy and development.

Like previous shifts from centralised data processing to desktop computing in the 1980s and later to distributed computing, the trend to network-orientated computing could shape the industry for years to come, IBM believes.

It sees this change as an opportunity to reassert its competitiveness, and is moving quickly to avoid a repetition of its failure to keep pace with market trends such as the shift to client-server computing.

The "IBM Global Network" business unit will pull together the activities of its networking services groups around the world. The new group will initially offer voice and data services for business-to-business communications.

IBM already provides data network services in about 700 large cities around the world.

These networks are being linked to provide worldwide communications capabilities. IBM sees its networks as a platform for a broad range of services.

Today, most information processing applications are based on a company's computers – word-processing on desktop computers or payroll processing on a mainframe computer, for example. Increasingly, however, networks provide generic services such as electronic mail and Mr Cannavino maintains that more sophisticated and customised applications will be provided via networks.

"The computing environment of the future is one where networks will do much more than transport information. It is one where applications and services are embedded in high-speed voice and data networks. In IBM's vision of network-centric computing, users have access to information anytime, anywhere, in the form that they want."

For example, "intelligent agents" will be a boon for office computer users and consumers. These are programs which can search for information on databases linked to a network and automatically sort and deliver such information to pre-arranged computer addresses.

In the workplace, intelligent agents might perform different kinds of searches. "They will enable you to follow up ideas – things that you don't have time to do yourself," says Mr Cannavino. With such network applications "you can create very powerful new mechanisms for increasing business and personal productivity".

Cannavino: networks will do more than carry information

IBM's recently formed Network Applications Services division will create applications such as directory services, electronic marketing, trading and shopping for networks. In addition, IBM's new vertical market groups will develop network applications for specific industries.

In the public domain, the Internet has demonstrated the value and popularity of global computer links, with millions of computer users subscribing to services providing Internet connections.

The IBM Global Network will become "the business person's Internet", says IBM. It says it will provide ubiquitous access like the Internet without the shortcomings, such as lack of security.

But IBM is not alone in seeing the potential of high-speed multimedia networks and is likely to face competition from telecoms and cable TV companies as well as traditional rivals.

Mr Cannavino concedes that the telecoms and computer industries appear to be on a collision course as each moves into the other's traditional territory. He maintains, however, that IBM approaches this market with the benefit of experience in data processing.

Moreover, unlike the telephone companies IBM does not aim to build a vast physical network infrastructure.

Instead, IBM will focus on providing information services via its own and other networks. "Are we itching for a fight with AT&T? No, but we are not going to run away either," says Mr Cannavino.

Air Canada continues strong profits recovery

By Robert Gibbens in Montreal

Air Canada continued its strong recovery in the second quarter, turning in net profits of C$27m (US$19.5m) or 22 cents a share, up from C$14m or 19 cents a share a year earlier.

But the 1993 quarter included a special C$46m fuel tax rebate, so the underlying upswing was C$59m.

Operating income was C$61m, up C$40m (excluding fuel tax rebate).

Mr Hollis Harris, chairman of Canada's biggest airline, said the air travel market was strengthening in Canada and on international routes.

"The second-quarter results were impressive considering that we had to convert to a new passenger reservation system.

"The recovery in traffic combined with lower unit costs and higher productivity is having a double impact on improving our financial results."

He said that even without a gain from the restructuring of its former Gemini reservations service, Air Canada was well positioned to "achieve our goal of at least break-even net income in 1994".

Second-quarter operating revenues were C$966m, up 7 per cent from a year earlier, with a 4 per cent gain in passenger traffic and a 4 per cent in yield or revenue per passenger mile.

For the first half, Air Canada posted a net loss of C$5m, against a deficit of C$279m, including restructuring charges a year earlier. Operating income was C$49m, against an operating loss of C$12m.

Excluding all special items, the improvement in net earnings totalled C$169m and operating income was up C$100m.

Thailand's distribution revolution

Cash-and-carry group Siam Makro is floated today, reports Victor Mallet

With their warehouse-like interiors, computerised stock management systems and vast car parks, Makro cash-and-carry stores look much the same in Thailand as they do in Europe, even if they sell more noodles than potatoes.

But in Thailand they are still a novelty. Siam Makro, the joint venture between SHV of the Netherlands and Thailand's CP group which is being floated on the Thai stock exchange today, is at the forefront of a revolution that is transforming distribution of food and other consumer products in south-east Asia.

Makro's first store in Asia opened in Bangkok only five years ago. Open-air markets, small shops and traditional distribution networks still dominate wholesale and retail trade in Thailand, including Bangkok with its estimated population of 9m.

Over the next two years, however, the capital will see the opening of numerous superstores, hypermarkets and modern convenience stores and some of the world's largest shopping malls.

In the wholesale cash-and-carry sector, Siam Makro is investing furiously to maintain its dominance and is going public – the first Makro unit worldwide to do so – in order to finance its rapid expansion. Speed is important in provincial towns which may be able to support only one such store and where land costs are rising sharply.

"If we can get there first, it will be profitable for us," says Mr Ian Hamilton, Siam Makro president. "If our competitors get there first, it won't be profitable for either them or us."

Siam Makro has raised nearly Bt2bn ($80m) with its initial public offering of 40m shares – just over 18 per cent of the company – at Bt50 a share.

The offering is regarded as a test case by SHV and could be emulated elsewhere if the flotation is deemed to be a success; Makro runs 120 stores in 16 countries.

There are already eight stores in Thailand, and Siam Makro intends to expand at the rate of two or three stores a year to counter expected competition. A local cash-and-carry company, Saveco, recently opened its first outlet and is poised to open more.

Siam Makro expects to increase sales this year to more than Bt18bn and to make a net profit of more than Bt300m. Two of its stores in Bangkok are in the top five Makro stores worldwide measured by sales per square metre, a remarkable record given that average purchasing power is still much lower than in the west.

The balance of power in Thailand appears to be shifting to consumers. Previously manufacturers have been able to dictate prices to small distributors, but now find themselves dealing with powerful chains such as Makro. Siam Makro says it takes 6 per cent of Unilever's products in Thailand, and the share is growing.

"We are the first one in town really to break into what was a supplier's market," says Ms Yaovanee Tulyasathien, Siam Makro finance director.

Siam Makro will avoid competing head-on with the emerging superstore retail sector and focus on its core business of wholesaling high volumes of food to small retailers – all 450,000 Makro members in Thailand have business licences – but the company's managers have been surprised by the success of non-food products sold to customers for personal use.

About 45 per cent of Makro's turnover in Thailand is currently accounted for by sales of these items, such as televisions and clothes, and the gross profit margin of 12 per cent is double the margin for food items, the company says.

This partly reflects the inefficiency of the existing retail sector in Thailand and may not last. But Siam Makro is confident enough to be planning to open separate retail outlets for office equipment, starting in the first quarter of next year.

Small businesses will remain the main customers of Siam Makro, Mr Hamilton believes. If corner shops are squeezed by big retailers as they have been in Europe, there will be new customers for cash-and-carry stores as service industries such as bars profit from the country's growing wealth.

Tokyo to ease Japan Tobacco flotation

By Emiko Terazono in Tokyo

The Tokyo stock exchange is to introduce measure to curb excessive price movements in Japan Tobacco shares which are scheduled to be listed on October 27.

Stock exchange officials are wary of repeating the chaos following the listing of East Japan Railway (JR East) shares last October, when the TSE's computer system broke down due to mass sell orders of the stock, which later affected the whole market.

On the first trading day, price fluctuations will be limited to within 30 per cent of the public offering price, the TSE said.

If JT shares become bid-only or ask-only at prices deviating more than 30 per pent from the public offering price, trade in JT shares will be halted immediately.

In addition, the exchange will require first-day investors to settle on the same day rather than allowing the usual four days delay.

ASE to trade 'ratio' contracts

The Australian Stock Exchange is to launch "share ratio" contracts, based on the performance of individual shares relative to the All Ordinaries index, writes Tracy Corrigan. The contracts will be traded on the Stock Exchange Automated Trading System (SEAS) and cleared through its derivatives clearing house.

Initial trading will cover ANZ Banking, Broken Hill Proprietary, National Australia Bank, News Corp, WMC and Westpac.

Arguments grow for muffling open outcry

After-hours screen trading for options on Liffe, scheduled for the end of the year, is set to give a new kick to the argument that open outcry should be muffled.

The traditional practice whereby traders in gaudy jackets crowd into a pit the size of a boxing ring to bid for contracts is seen by supporters as the most efficient way of dealing. But some of the biggest marketmaking firms in the UK say it is strangling trade in stock options - instruments giving the right to buy or sell shares at a fixed price.

Mr Gerald Freedman, director of derivatives at integrated securities house Smith New Court, says change must come: "The truth is that the market has been so rotten for the past four or five years that there is not much to lose."

The case against open outcry boils down to transparency. A big investor might want to buy call options which give the right to buy shares at a later date. The marketmaker has the duty to provide those shares if the option is exercised, and has to buy them in the stock market in order to hedge the position. However, because rivals have seen the initial option trade they will immediately mark the share price higher.

Smith New Court argues that if option dealing were screen-based, details of the deal would be instantly available as before but the identity of the dealer would not.

"As far as the big integrated houses are concerned it has to be anonymous. The market itself would benefit enormously from the extra volume that anonymity would generate," says Mr Freedman.

While volume in FT-SE 100 futures and options has boomed, stock option turnover has refused to budge. Many of the UK's biggest companies see the daily equivalent of less than 100,000 shares changing hands in the form of options. Average turnover was more than 40,000 contracts a day

DERIVATIVES

(equivalent to 40m shares) in 1987, the year of the crash, but subsequently fell back to around half that level.

The other side of the argument comes from agency brokers whose principal duty is to clients. Mr Nigel Croft, head of derivatives at Kleinwort Benson says: "I can see why dealers want to go screen-based but for the broker [open-outcry] means that all the marketmakers are in one place at one time and can be reached with one phone call. It makes for a level playing field."

There is also a frisson of unease among the independent traders, known as "locals", who trade their own capital on Liffe. Although locals are not very active in options, they worry that if stock options go to open outcry then other contracts might follow.

But Ms Karin Forseke, director of equity products at Liffe, says the automated system being developed will not be ready until either the end of this year or early next year and will then only be used for after-hours dealing.

"Open outcry is an effective way of trading some of the world's most successful products," she says. "There is nothing that has proved to me that an automated environment will be better." She claims that the problems with the options market relate to a lack of transparency in the underlying stock market where big trades can be hidden for between 90 minutes and five days.

The poor growth of the listed stock options market in London has been one of the reasons behind the development of over-the-counter options, which are tailor-made by securities houses and banks for clients.

But OMLX, the Swedish-owned derivatives exchange which offers a screen-based system in Swedish companies, claims that turnover in Astra, the pharmaceuticals group, was the highest of any stock option traded in the UK in the first six months of this year, topping Hanson by more than 23,000 contracts.

No one doubts that the start of after-hours screen-based trading will provide a much needed fillip for Liffe's equity option, but many feel that a more drastic shift will be required in the long run.

Peter John

First offer backed by aircraft leases

By Conner Middelmann and Tracy Corrigan

Lehman Brothers yesterday launched the first global offering of notes backed by aircraft leases, a $1bn nine-tranche deal for Aircraft Lease Portfolio Securitisation.

The issuer is a special pur-

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pose vehicle which has bought the leases from GPA Group, now owned by General Electric of the US. The servicer of the leases is GE Capital Aviation Services.

Only a small number of companies, including GPA and Northwest Airlines, have so far securitised aircraft leases, but the drying-up of tax-driven lease financing in the Japanese market has made securitisation appear more attractive.

The Royal Bank of Scotland tapped the sterling sector with a structured floating-rate note via S.G. Warburg Securities. The deal is structured in such a way that interest will not accrue on days when six-month Libor exceeds 15 per cent; in return for that risk, investors receive a coupon of 6-month Libor plus 40 basis points. The deal met with good demand from banks, corporates, insurance companies and money market funds, said an official at the lead manager.

Colombia's Banco Ganadero made its eurobond market debut with $125m of 9¾ per cent five-year bonds. Priced at a yield of 290 basis points over the US Treasury note, the deal saw good interest from international institutions, lead manager Citibank said.

In Japan, another emerging-market borrower, Mexico's Pemex, announced it would postpone a planned Y20bn Samurai bond issue after market participants felt the pricing was out of line with market conditions.

The issue, with Daiwa Securities as lead manager, was to be made up of 5.35 per cent five-year bonds priced at par. "The pricing was way too tight," said an official at a Japanese house, which, along with other underwriters, had declined Daiwa's invitation into the deal.

Elsewhere, Bayerische Landesbank issued $200m of 7 per cent four-year bonds via Swiss Bank Corporation.

Yielding 12½ basis points over the US Treasury note at its 99.94 re-offer price, some dealers said the pricing was too tight, but the lead manager reported demand from Swiss, German and Benelux investors.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
ALPS 94-1(a)	997	(a)	(a)	Sep.2004	-	-	Lehman Brothers Intl.
Bayerische Landesbank(b)	200	7.00	99.94R	Sep.1998	0.225R	+12½ (b1)	Swiss Bank Corp.
World Bank★	200	4.50#	91.976	Aug.1999	1.875	-	Nomura International
Banco Ganadero(c)	125	9.75#	99.578R	Aug.1999	undisc.	+290(9⅝%-99)	Citibank International
Federal Home Loan Banks(d)‡	50	(d1)	100.00	Sep.1999	undiscl.	-	Sakura Finance Intl.
STERLING							
Royal Bank of Scotland‡	100	(e)	100.00R	Sep.1998	0.25R	-	SG Warburg Securities
SWISS FRANCS							
Europaische Hypobank	100	5.375	102.625	Sep.1998	1.75	-	Deutsche Bank(Schweiz)
Rabobank Nederland	100	5.125	102.25	Sep.1997	1.50	-	Merrill Lynch Capl.Mkts.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Aircraft Lease Portfolio Securitization. Nine fixed and FRN tranches. Priced today. b) Long 1st coupon. b1) Over interpolated yield. c) Puttable on 26/8/97 at 98.26%. d) Amortising from 15/9/95 at a rate linked to Libor. d1) 3-mth libor +42bp; min 0.42%, max 9½%. Maximum quarterly increase: 50bp. e) 6-mth Libor +40bp. Interest accrues when Libor ≤15%.

Treasuries ease ahead of auction

By Patrick Harverson in New York and Antonia Sharpe in London

US bond prices eased across the maturity range yesterday morning as traders and investors awaited the afternoon auction of 10-year notes – the second leg of the Treasury's quarterly refunding round.

By midday, the benchmark 30-year government bond was down $\frac{5}{16}$ at 84$\frac{3}{16}$, yielding 7.590

GOVERNMENT BONDS

per cent. The two-year note was also slightly weaker at the halfway mark, down $\frac{1}{32}$ at 99$\frac{22}{32}$, to yield 6.226 per cent.

After Tuesday's disappointing three-year note auction, market participants were worried yesterday that the sale of $12bn in 10-year notes would also attract weak demand from retail investors.

An added complication for the market was the impending release of July inflation data, due for today and tomorrow. Uncertainty about how the Federal Reserve will respond to the inflation numbers, and in particular whether the Fed will raise interest rates if the figures show prices rising faster than expected, has been undermining support for the newly issued government securities this week.

■ European government bond markets experienced one of their quietest days this year as the summer holiday season got into full swing. Dealers said yesterday's testimony by the Federal Reserve chairman Mr Alan Greenspan before a House Commerce subcommittee had no impact but results of the US auction of 10-year paper later in the day could give markets a fresh direction.

Some analysts expect next week's heavy programme of supply in Germany, France and Italy to put renewed downward pressure on those markets, as dealers bidding for the paper hedge themselves by taking out short positions in the futures market.

The only market to offer any signs of life was Spain, where investors gave a favourable reception to the latest auction of one-year treasury bills. This means the Bank of Spain has now raised three-quarters of this month's funding requirement.

Yields on the Treasury bills fell to 8.08 per cent from 8.18 per cent while at the longer end of the curve, yields on 10-year bonds eased three basis points to 10.39 per cent. The September bond future rose to 91.07 from 90.58.

The weakness in the lira and the continual political concerns kept the Italian market under pressure, which caused the spread between Italian and German 10-year bonds to widen to more than 400 basis points from around 380 basis points a week ago.

■ The German market was little changed with yields on 10-year bunds staying at 7 per cent. Dealers detected some switching out of Dutch bonds into bunds, reflecting investor uncertainty over the delay in forming a government. This caused the spread between 10-year Dutch bonds and bunds to widen to five basis points from three basis points.

■ UK gilts were unmoved by the publication of minutes of a meeting between the Chancellor of the Exchequer, Mr Kenneth Clarke and the Bank of England governor, Mr Eddie George. On Liffe, the September long gilt future rose $\frac{13}{32}$ to 102¼ in thin volume.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	97.4100	-0.130	9.40	9.52	9.63
Belgium		7.250	04/04	94.8500	-	8.03	7.88	7.89
Canada *		6.500	06/04	83.7000	-0.250	9.04	9.11	9.14
Denmark		7.000	12/04	90.8500	-0.150	8.35	7.99	8.28
France	BTAN	8.000	05/98	103.4800	+0.086	6.81	6.58	6.90
	OAT	5.500	04/04	86.6200	+0.120	7.48	7.18	7.36
Germany Bund		6.750	05/04	98.1300	-0.170	7.02	6.78	6.83
Italy		8.500	04/04	86.6000	-0.190	10.77†	10.50	10.21
Japan	No 119	4.800	06/99	103.1730	-0.090	4.02	3.77	3.56
		4.100	12/03	96.1000	-0.060	4.70	4.50	4.42
Netherlands		5.750	01/04	91.2400	-0.140	7.05	6.83	6.92
Spain		8.000	05/04	85.7000	+0.450	10.39	10.19	10.56
UK Gilts		6.000	08/99	91-05	+2/32	8.18	8.09	7.90
		6.750	11/04	88-20	+10/32	8.42	8.28	8.21
		9.000	10/08	104-04	+11/32	8.49	8.36	8.30
US Treasury *		7.250	05/04	99-14	-5/32	7.33	7.12	7.42
		6.250	08/23	84-10	-8/32	7.60	7.43	7.69
ECU (French Govt)		6.000	04/04	86.9200	-0.020	7.98	7.70	7.86

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime / Treasury Bills and Bond Yields

Prime rate	7¾	One month	4.51	Two year	6.24
Broker loan rate	5½	Two month	4.74	Three year	6.60
Fed.funds	4$\frac{7}{16}$	Three month	4.53	Five year	6.97
Fed.funds at intervention	-	Six month	5.12	10-year	7.33
		One year	5.59	30-year	7.60

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	115.68	115.72	-0.04	116.08	115.40	141,405	111,276
Dec	114.80	114.86	-0.04	115.20	114.56	5,027	17,720
Mar	114.10	114.16	-0.04	114.10	114.10	310	3,612

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
115	1.26	1.95	-	0.50	2.12	-
116	0.66	1.43	-	0.85	-	-
117	0.25	0.96	-	-	3.18	-
118	0.10	0.63	-	2.38	-	-
119	0.03	0.42	-	-	-	-

Est. vol. total, Calls 20,901 Puts 34,328 . Previous day's open int., Calls 364,060 Puts 335,939.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.64	92.80	+0.06	92.85	92.53	98628	148936
Dec	91.96	91.99	+0.02	92.03	91.74	2252	25220

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9250	0.67	0.66	0.87	1.16	0.37	1.17	1.48	1.67
9300	0.40	0.46	0.77	0.94	0.60	1.47	1.78	1.95
9350	0.21	0.31	0.59	0.75	0.91	1.82	2.10	2.26

Est. vol. total, Calls 8278 Puts 14604. Previous day's open int., Calls 267675 Puts 279795

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		97.85	+0.05			0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	101.35	101.40	-0.13	101.97	101.27	33926	85507
Dec	100.65	100.17	-0.16	100.65	100.20	441	789

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
10100	1.03	2.14	0.63	2.97
10150	0.77	1.93	0.87	3.26
10200	0.54	1.74	1.14	3.57

Est. vol. total, Calls 912 Puts 3687. Previous day's open int., Calls 37539 Puts 33309

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	90.50	91.08	+0.49	91.15	90.45	43,559	93,368
Dec	90.30	91.50	-1.20	90.30	90.30	1	768

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	101-24	102-07	+0-12	102-10	101-19	39937	118234
Dec	101-03	101-24	+0-13	101-14	101-03	1723	1757

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
102	1-04	2-33	0-54	2-49
103	0-37	2-05	1-23	3-21
104	0-17	1-44	2-03	3-60

Est. vol. total, Calls 5804 Puts 2489. Previous day's open int., Calls 73183 Puts 60968

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	83.68	83.66	-0.04	83.90	83.46	419	7,158
Dec	83.26	83.26	-0.04	83.26	83.26	115	116

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	102-28	102-26	-0-02	102-29	102-23	300,177	372,795
Dec	102-05	102-03	-0-01	102-05	101-31	12,682	73,933
Mar	101-10	101-12	-0-03	101-12	101-09	994	4,223

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	107.46			107.55	107.40	1390	0
Dec	106.48			106.50	106.40	3106	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Aug 10	Day's change %	Tue Aug 9	Accrued interest	xd adj. ytd		Low coupon yield Aug 10	Aug 9	Yr. ago	Medium coupon yield Aug 10	Aug 9	Yr. ago	High coupon yield Aug 10	Aug 9	Yr. ago
1 Up to 5 years (23)	120.90	-0.05	120.96	1.78	6.91	5 yrs	8.29	8.26	6.34	8.44	8.42	6.48	8.55	8.52	6.65
2 5-15 years (22)	140.16	+0.01	140.15	1.70	8.39	15 yrs	8.41	8.41	7.17	8.53	8.53	7.31	8.77	8.79	7.55
3 Over 15 years (9)	156.77	+0.09	156.63	1.67	8.24	20 yrs	8.40	8.39	7.31	8.53	8.53	7.40	8.64	8.65	7.58
4 Irredeemables (6)	177.99	-0.57	179.00	2.85	7.38	Irred.†	8.53	8.48	7.48						
5 All stocks (60)	137.87	—	137.87	1.78	7.90										

Index-linked							Inflation 5% Aug 10	Aug 9	Yr. ago	Inflation 10% Aug 10	Aug 9	Yr. ago
6 Up to 5 years (2)	185.45	+0.06	186.76	0.37	3.95	Up to 5 yrs	3.91	3.92	2.82	2.89	2.90	2.08
7 Over 5 years (11)	172.51	+0.02	172.48	0.75	3.25	Over 5 yrs	3.87	3.87	3.30	3.69	3.69	3.13
8 All stocks (13)	172.98	+0.02	173.06	0.71	3.30							

Debentures and Loans						5 year yield Aug 10	Aug 9	Yr. ago	15 year yield Aug 10	Aug 9	Yr. ago	25 year yield Aug 10	Aug 9	Yr. ago
9 Debs & Loans (75)	130.05	+0.17	129.83	3.11	5.90	9.52	9.56	7.88	9.47	9.50	8.20	9.42	9.43	8.36

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 10	Aug 9	Aug 8	Aug 5	Aug 4	Yr ago	High*	Low*
Govt. Secs. (UK)	92.17	92.26	92.58	92.21	92.78	101.93	107.04	90.99
Fixed Interest	110.79	111.12	111.14	111.01	111.54	122.31	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Aug 9	Aug 8	Aug 5	Aug 4	Aug 3
Gilt Edged bargains	130.4	91.9	68.9	79.7	79.6
5-day average	90.0	79.7	76.1	79.8	82.5

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

WPP meets City expectations

By Diane Summers,
Marketing Correspondent

WPP, the marketing services company, yesterday reported pre-tax profits of £36.2m for the half year to June 30 – up 50 per cent and in line with expectations – and put the flotation of part of its market research business onto the back burner.

In March WPP said the flotation, intended to help cut debt, was likely this year and would yield up to $300m (£130m). The group had been saying more recently that adverse market conditions meant that the timing was being kept under review.

Yesterday the board said it was continuing to consider various forms of financing and ways of strengthening the capital structure, but "the improvement in profitability and cashflow and the achievement of the group's financial objectives so far this year has lessened the need to examine these alternatives".

Revenue fell by 1.3 per cent to £690.5m (£699.7m), mainly because of disposals. However, on a like-for-like and constant currency basis, revenues rose by more than 4 per cent. Operating margins improved from 6.1 per cent to 7.3 per cent. Mr Martin Sorrell, chief executive, said that margins were ahead of the group's financial objectives, but still below the benchmark of 10 to 11 per cent achieved by WPP's best-performing competitors.

Fully-diluted earnings per share rose to 2.6p (1.7p). An interim dividend of 0.385p (0.35p) is declared.

A statement on future prospects was cautious: the group said May and June had been the best two consecutive months for two-and-a-half years, but overall the first six months had been "patchy and inconsistent". The uncertain pattern of activity "may reflect tax increases on both sides of the Atlantic and continued concern about job security among consumers and management". Plans, budgets and forecasts of revenues were being made on a "conservative basis".

Net debt averaged £280m in the first half, down 25 per cent from £372m. The group benefited from a £85m rights issue in March 1993.

The beginning of next month will see the banks, which bailed WPP out two years ago in a $271.6m debt-for-equity swap, free to sell their 190m shares, which represent 26.5 per cent of the enlarged share capital.

See Lex

Slimmer TDG advances to £17m

By Simon Davies

Transport Development Group made pre-tax profits of £17m for the six months to end-June, compared with £3.5m in 1993, but exceptional items masked sharply reduced profits from the core distribution division.

Profit margins from UK distribution almost halved to 4.4 per cent because of increasing competition, the loss of some profitable contracts and the non-recurrence of strong profits from its French drinks distribution arm.

Turnover fell 9 per cent from £277m to £251m, although the decline from continuing operations was only 5.4 per cent. Operating profit after interest was only marginally lower at £15.7m (£15.9m).

The results were distorted by the impact of business disposals and closures during both years, as TDG restructured in the wake of an increasingly harsh operating environment.

The company made a £1.31m exceptional profit at the interim stage, which came from the sale of businesses in the UK, Australia and France. This compared with a £12.3m exceptional loss in 1993.

TDG has completed its disposal programme with £29m of this reported in the first half, which boosted profits by £350,000.

It has reduced gearing to 0.5 per cent, and is now looking for acquisition opportunities. A further £12m of disposals will be recorded in the second half.

The distribution division is putting emphasis on the "saturated" industrial market, where it has won significant new business. The company plans to invest £17.5m this year to support this organic growth.

The hire division has performed more profitably, being an earlier beneficiary of economic recovery. The group invested £8.5m in the first half and plans to invest a similar amount in the second.

The transport division has been the focus of disposals of lossmaking operations, and it saw a resultant turnround. However, storage declined, because of the reduction of some of the European Commission's food mountains.

Overall, the management said it was confident that its spread of businesses "gives us a sound and broad base from which to move ahead steadily."

TDG is paying an unchanged interim dividend of 3p, payable from earnings per share of 7.62p (1.66p losses).

● COMMENT

For what was considered a bellwether stock, TDG is having problems matching the economic recovery. Its hire division has benefited from increased industrial activity, but distribution remains bogged down by competition. The second half will remain tough, and profits of about £34m are expected, putting the shares on a p/e of 14.7. As gearing falls to zero, thoughts are turning towards acquisitions, and investors would be wise to see what management comes up with before backing a recovery, which still appears some way hence.

C&G to reveal new plans to share £1.8bn bid cash

By Alison Smith

A revised scheme for sharing out the £1.8bn cash offered by Lloyds Bank for Cheltenham & Gloucester Building Society will be announced today.

The agreed bid suffered a setback in June when the original scheme was found by the High Court to be unlawful. The Building Societies Commission, the sector's statutory regulator, had argued that it contravened the 1986 Building Societies Act. C&G, the UK's sixth-largest society, had planned to split the £1.8bn among its 1.4m borrowing and investing members, with most receiving a minimum of £500 and a maximum of £10,000 per investment account.

The Act does not allow cash payments to investing members of less than two years' standing as a way of trying to prevent speculative flows of money between societies on takeover rumours.

Since C&G said last month that it did not intend to appeal against the judgment, attention has focused on the setting of a new date at which the two-year period starts, the most likely way of making the scheme lawful while still attractive enough to achieve the high levels of member approval needed.

Borrowers are unlikely to receive payments under the new scheme.

The Commission is expected today to say only that it will consider the new scheme, but that will be taken as a sign that it does not intend to challenge it in court.

Signet frees itself of Salisburys in £3m deal

By Neil Buckley

Signet, the jewellery group formerly known as Ratners, is selling its lossmaking Salisburys luggage and handbag chain for £3.18m to Mr Stephen Hinchliffe, former chairman of James Wilkes and Lynx Holdings.

Signet is receiving £2.75m immediately in cash and £430,000 later relating to inter-company debt.

The jewellery group made a £87.1m provision in its full-year results in May to cover the proposed disposal of the 174-store chain, including a £10.8m write-down of the value of its assets to £3m.

Mr James McAdam, Signet chairman, said that despite efforts to turn it around, Salisburys had incurred a £5.3m loss on sales of £54.4m.

Signet will keep an interest in a warehouse in Crawley, West Sussex, which will require a provision of up to £1.5m to cover carrying and disposal costs.

Mr Hinchliffe is funding the purchase himself and has formed a new company, Salisburys Stores, to run the outlets.

"We can return to profits a lot faster than people imagine," he said. "There is nothing wrong with the fabric of the business".

Mr Hinchliffe has successfully restored a retailing business to profitability before. In 1987 he joined a management buy-out at Wades department stores from Associated Dairies, and later sold the company to Waring & Gillow.

Upton may take legal action over Reject buy

By Chris Tighe and Norma Cohen

Upton & Southern, the department store group, said yesterday it was considering legal action not only against some former directors of the Reject Shop but also against its financial advisers.

Upton said on Tuesday that the financial and trading position of Reject Shop, the household goods retailer it bought in February, was materially worse than represented at the time of the deal. That news sent Upton's shares plunging by 12p to 14p, and they fell a further 2p yesterday.

Upton is contesting the valuation of the Reject Shop's inventory stocks at the time of the acquisition. It said yesterday that about one third of the expected stock was found not to be there. "We expected the cupboard to be fairly empty but not bare," it said.

Upton's lawyers, Nabarro Nathanson, and auditors Coopers & Lybrand, are studying a report by Mr Ian Steven, its finance director, to decide whether to institute proceedings against "certain former directors" of Reject Shop.

The company is also considering action against the Reject Shop's accountants Stoy Hayward and stockbrokers Smith New Court. Smith New Court had no comment yesterday.

Mr Jeffrey Gould, Upton's chief executive, declined to disclose how due diligence was conducted before the deal or how the problem had arisen. "Once you get involved in the company and you understand it a lot more, these things become more apparent to you, rather than on the outside."

Upton said part of the difficulty lay in the need for confidentiality in quoted company deals. In order to avoid market rumours information from the other side had to be accepted. "You're dealing with public companies, both should be ethical and give true valuation."

Mr Gould said he did not regret the purchase. The former Reject Shop stores still represented "an opportunity", but the less than expected value of their stock had set back his turnround plans by six to seven months.

Upton bought Reject Shop in a £2.5m all-paper deal in March. This week it said a cash shortage of about £2.75m had resulted from the worse than anticipated financial and trading position.

SCI given go-ahead in Great Southern battle

By Simon Davies

Service Corporation International was yesterday assured of winning Great Southern Group, the UK funeral company, when the Takeover Panel refused an attempt to block its revised offer of 775p per share.

Loewen, the Canadian funeral group, was trying to prevent SCI from raising its bid because the US company made a "final" 680p offer which omitted a standard clause allowing this to be raised in the event of competition.

The Panel decided this omission by SCI's advisers, led by Schroders, was attributable to "a genuine mistake, however regrettable that might be".

Given these exceptional circumstances, the Panel judged that SCI should be allowed dispensation from the rules. Loewen has been refused the right to appeal the decision.

The decision drew some criticism for setting a precedent whereby a financial adviser could benefit from a mistake through special pleading.

However, SCI agreed to recompense all shareholders who sold shares under the misconception that the offer could not be increased. This made it awkward for the Panel to block an offer so clearly in the interests of all shareholders.

The decision will be a relief to Schroders, SCI's merchant bank, which might have faced action from SCI had the bid failed due to the mistake.

Loewen had offered 690p cash, 10p higher than SCI's earlier bid. The Loewen bid had a clause requiring 90 per cent approval for their offer – an impossibility given SCI's 29.8 per cent holding – but they had given assurances that this would be reduced.

The clock will now be reset for SCI's bid, but the outcome is now certain. JD Field has given irrevocable assurances on behalf of its 56 per cent holding of Great Southern's ordinary shares, so the US largest burial company will now become the third largest UK funeral business.

Union reverses to £0.79m deficit

By Norma Cohen,
Investments Correspondent

Union, the City discount house, yesterday recorded pre-tax losses of £793,000 for the first six months of this year. The result reversed its return to profitability at the 1993 year end after two unprofitable years.

In particular, Union suffered trading losses of nearly £2m on its holdings of long-term gilt-edged securities and has decided to withdraw from running positions in those securities for its proprietary trading book.

"Having got it wrong for the best part of the first half of the year, we have decided that this is a business we should not be in, at least for the time being." said Mr Ian Martin, managing director.

He added that while all discount houses were involved in similar risk-based activities, Union's had been somewhat larger relative to its capital base.

However, those losses were offset partly by profits of more than £1m in the group's traditional money market operations and newly developed arbitrage activities, which would be expanded further.

"Although we anticipate a profitable second half, the overall performance of the group will continue to be influenced by the underlying volatility of the markets while Union remains in this period of transition," Mr Robin Herbert, chairman, said.

Union, which raised £11m in a 2-for-5 rights issue in March, said it planned to diversify into financial services.

The interim dividend is restored via a 1.5p payment. The shares lost 8p to 128p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Beales Hunter	fin	7.15†	Oct 1	6.95	9.7	9.4
City Merchants	int	2‡‡	Oct 7	2	-	8.4
Flying Flowers	int	0.76‡	Oct 28	-	-	1.08
GKN	int	8†	Nov 2	8	-	20.5
Hickson Intl	int	2.85	Nov 21	2.85	-	8
London & O'seas	int	0.25☆	-	-	-	2
Metal Bulletin	int	4	Oct 7	2.9	-	10
Nichols (Vimto)	int	2.25	Oct 24	2.16	-	5.76
Scholes	fin	nil	-	3.4	1.7	5
StandChart	int	2.25	Oct 27	1.875	-	6
Transport Dev	int	3	Nov 4	3	-	9.5
Union	int	1.5	Oct 7	nil	-	3
Ward Holdings	int	0.5	Oct 7	nil	-	nil
W'minster Health	fin	2.75	Oct 3	0.5	4.5	0.5
WPP	int	0.385†	Nov 30	0.35	-	1

Dividends shown pence per share net except where otherwise stated. †On increased capital. ‡Gross but net of Jersey tax. ‡‡Second interim; makes 4p so far. ☆ US cents.

UES moves back into the black

By Andrew Baxter

UES Holdings, the Rotherham-based engineering steels and forgings group in which GKN has a 39.1 per cent stake, returned to profit in the second quarter after its record £48.1m pre-tax loss for the full 1993 year.

For the first half, however, UES was still in the red, and Mr Don Ford, chairman, said returns were still "totally inadequate".

GKN's share of a much reduced first-half net loss at UES was £1m, compared with £2m for the first half of 1993 and £8m for the whole of last year. British Steel owns the rest of the company.

External sales at UES rose slightly to about £300m. The trading profit was not available, but UES is trading in the black, and Mr Ford said that "by and large, we are on a better trend than at any time in the past two or three years".

Market conditions were improving and prices were continuing to rise slowly. Recent rationalisation and cost reduction was continuing to pay off.

Steel demand was quite strong, helped by better conditions in the automotive sector, which is a large user of engineering steel. UES is the dominant producer of engineering steels in the UK, and Mr Ford said its domestic market share had improved. Its forgings business had also done "quite well".

Capital Shopping loses chief

By Simon Davies

Mr Brian Jolly, the chief executive who helped build Capital Shopping Centres into the UK's leading regional shopping centre company, is to retire due to ill health less than 5 months after the group's flotation.

The announcement was made as CSC issued its maiden results, showing interim pre-tax profits of £8.3m for the period to June 30 – effectively for only three months.

The retirement came as a shock for investors. Mr Jolly was one of two key executives from Capital & Counties, the TransAtlantic subsidiary which built the CSC portfolio.

Mr Donald Gordon, chairman, said a replacement should be in place by "the end of the holiday season".

CSC demonstrated strong growth from its core portfolio of seven shopping centres. On a pro-forma basis, rental income increased by 17 per cent from £17m to £19.9m, although this included a substantial impact from the phasing out of rent free periods.

Lakeside at Thurrock, its flagship property, saw income rise 18 per cent to £10.6m, with tenant turnover recording double digit growth.

Mr Gordon expects Lakeside to be a substantial beneficiary of Sunday trading, which begins on August 28 and should improve income from turnover rentals.

The Harlequin Shopping Centre in Watford, its second largest property, increased profits from £3.4m to £4m and reduced bad debts from £1.1m to £800,000.

CSC has £120m of cash, and Mr Gordon said it was looking for opportunities to invest in other substantial regional shopping centres.

He said there had been no discussions, but it would be logical for CSC to look for a tie-up with Blue Water Park, the shopping centre development across the Thames from Lakeside.

The 330 acre site was recently purchased by an Australian property company and could impinge upon Lakeside's client base, although CSC argues that with 11m people within an hour's drive, competition is hardly a problem.

Earnings per share were 1.9p; no interim dividend is declared but the company intends to pay a final of at least 5p.

● COMMENT

CSC's main problem, which it perceives as a virtue, is its total absence of gearing. With a net cash position, it will struggle to offer more than pedestrian increases in net asset value. Brokers expect a year end net asset value of 216p, leaving the shares at a premium of 4 per cent, based on yesterday's close of 225p, down 2p. Net profit for 1994 should be about £25m. Management has the dilemma of needing an acquisition, at a time when competition is pushing up prices. Investors should defer judgment until they see what the management can deliver.

Brian Jolly: ill heath forces untimely retirement

Vimto production under way in Russia

By Graham Deller

JN Nichols (Vimto), the soft drinks manufacturer, yesterday said that local production of its core product – the mixed fruit juice drink beloved in the Midlands and north of England – had started in Moscow.

Exports have previously centred on teetotal markets such as Saudi Arabia and Kuwait, but thirst for the product in the Russian capital and St Petersburg had been "exceptional" since its launch in cans into the former Soviet Union.

"This is the culmination of six months of strong export performance around the world," said Mr John Nichols, managing director.

The announcement accompanied results for the six months to June 30 showing an 11 per cent expansion in pre-tax profits from £3.4m to £3.76m, on turnover from continuing operations up a commensurate amount at £26.8m. Growth in international markets was backed by higher domestic sales reflecting good weather and increased market penetration via the new Vimto Soft Drinks division.

Mr Nichols added: "We are delighted with the performance during a period of change. Early indications are that the recent divisionalisation and the commencement of production in Russia will reap further rewards in the future."

The interim dividend is 2.25p (2.16p), payable from earnings of 6.32p (5.76p).

Westminster Health Care shows sharp gain to £11.2m

By Peggy Hollinger

Westminster Health Care, the nursing homes group, completed its first full year as a listed company with pre-tax profits more than doubled at £11.2m, compared with £4.3m.

The results were at the top end of analysts' expectations and the shares rose by 4 per cent to 338p.

The strong profits performance was fuelled by price increases, cost controls and a £4m drop in net interest charges to £768,000 following the flotation last year. Profits before interest and tax for the year to May 30 were 33 per cent higher at £12m, on sales ahead 36 per cent to £50.4m. Gross margins were stable at 32 per cent.

Mr Pat Carter, chief executive, was bullish about prospects for the current year, which had started "very encouragingly". Westminster intended to step up its nursing homes expansion programme and would begin to examine new opportunities arising from changes in the health market.

Any expansion outside nursing homes would only be taken after a close study of the group's skills, however, and have to be cash generative, Mr Carter said.

Westminster intended to add some 1,000 beds a year for the foreseeable future, he said. This compared with 704 last year, of which 26 per cent were dedicated to the group's growing speciality business of caring for patients with dementia.

Westminster finished the year with 3,947 beds.

Prices were increased by 6 per cent last year, partly due to new developments in the more expensive market of south-eastern England.

Occupancy levels fell slightly from 93 per cent to 92 per cent as a result of the implementation of the Community Care Act.

The final dividend is 2.75p, for a 4.5p total. This is 20 per cent higher than the pro forma dividend included in the flotation prospectus. Earnings rose by 46 per cent to 18.7p.

● COMMENT

Westminster is careful to manage the balance between the lucrative and the secure by mixing private and state-funded patients. The fruits of that strategy are showing through and could bring interesting bonuses as the health system contracts out tasks which could fit the group's skill profile. Westminster's experiments with the Woodmill Hospital – virtually dedicated to NHS patients seeking hip, knee or cataract operations – appear to be paying off, but it is still early days. Fears of a rights issue to fund expansion appear to be premature for the moment, although the group is certain to come back to shareholders within the next two years. This should only cause concern if the management story begins to unravel. Forecasts are for £14.1m this year, for a prospective p/e of 15 times. The premium rating appears to be well-deserved.

Redrow expands in the south

Redrow Group, the housebuilder which came to the market earlier this year, is to further extend its operations in the south of England with the acquisition of the majority of the assets of Gudgeon Homes for £4.6m.

The deal will add some 200 plots to the land bank of Redrow Homes (South East) and strengthen the company's regional presence established through the acquisition of Costain Homes in July 1993.

The acquisition contains a large amount of work-in-progress at the redevelopment of the former Royal Marine barracks at Eastney, near Portsmouth. Further new sites at Portsmouth and Fareham are included in the deal.

The schemes will have an overall development value of about £18m and provide an immediate profit contribution. This will further utilise tax losses available within Redrow Homes (South East).

Flying Flowers leaps 89%

By Gary Evans

The acquisition of DPA Direct in March helped fuel growth at Jersey-based Flying Flowers, which saw pre-tax profits jump 89 per cent from £312,000 to £589,000 in the six months to July 1.

DPA, which specialises in reader offers in the UK national press, contributed £2.52m to group sales of £6.25m (£2.99m) while its pre-tax profits of over £190,000 were more than it achieved in the previous full year.

Mr Walter Goldsmith, chairman, said the acquisition was proving encouraging. "DPA's strong relationship with certain national newspapers has produced excellent results and we are exploring opportunities in database development and other activities which will benefit all areas of the group," he said.

He cautioned that the company, which joined the market a year ago, did not expect the first-half growth rate to continue "at quite the same level". However, with all divisions doing well, he looked forward to another successful year.

A continuing healthy level of off-peak orders for postal packs more than offset lower-than-expected order levels for Mothers' Day in the UK, which this year was earlier than usual requiring orders to be received in February rather than March.

In northern Europe, the introduction of a delivery facility had produced a good response and an experimental service for Mothers' Day in France had produced "encouraging results".

Half-year earnings per share rose from 1.54p to 2.36p; an interim dividend to UK holders of 0.76p gross, net of Jersey tax, is declared.

Beales Hunter ahead 18%

By Jean Marshall

Beales Hunter, the electrical and refrigeration equipment group which is also involved in the manufacture of men's clothing, lifted pre-tax profits by 18 per cent in the year to May 31.

On turnover up from £47.8m to £51.6m, including £1.31m from acquisitions, profits moved ahead to £2.63m (£2.24m) pre-tax with a £117,000 contribution at the operating level from acquisitions. The pre-tax figure was after net interest charged of £275,000 (£108,000).

Mr David Tittle, chairman, said the results were satisfactory against a background of difficult trading conditions. The refrigeration and electrical divisions had increased profits but the textile side's results "continued to disappoint".

He said there were continuing signs of a slow but sustained recovery in the economy but indications of an upturn in activity needed to be set against growing pressure for price increases from the group's supply base. Unless that pressure could be resisted or passed on in price increases to customers, he warned that margins would come under pressure.

Earnings per share worked through at 19.2p (16.2p) and the dividend for the year is lifted to 9.7p (9.4p) with a proposed final of 7.15p.

Shirescot net asset value declines 5%

Shires High-Yielding Smaller Companies Trust reported a fully diluted net asset value of 139.4p per ordinary share as at June 30, a decline of some 5 per cent on the year end value of 146.3p.

The trust reported a 3.5 per cent fall in its total return for the six months, outperforming the FT-SE-A All-Share Index, which dropped 11.3 per cent over the same period but lagging the Hoare Govett Smaller Companies Index, down just 1.7 per cent.

Some £7.1m of June's £10.8m placing and offer offer of C shares had been invested by end-July.

Net revenue amounted to £406,000 (£388,000) for fully diluted earnings of 2.79p (3.05p) per share.

A second interim dividend of 1.2p brings the total to date to 2.4p; the directors reiterated their intention to pay not less than 5.4p for the full year.

Chamberlain oversubscribed

The intermediaries offer from Chamberlain Phipps, the shoe components and footwear manufacturer, was subscribed 1.8 times.

Of the placing and offer of 22.9m shares at 165p apiece, 15.2m were placed with investors. Of the balance, applications were received for 14m.

Dealings are expected to start on August 15.

Abtrust New Dawn shares conversion

Abtrust New Dawn Investment Trust, which invests in the east Asia region, excluding Japan, announced that at least 85 per cent of the net proceeds of the recent C shares issue had been invested in the region.

The conversion into ordinary shares would take place on August 15.

At July 29 net asset value attributable to each C share and existing ordinary share was 246.16p and 236.75p respectively. This represented a conversion ratio of 1,039 new ordinary shares and 207 series C warrants for every 1,000 C shares on conversion.

Under the conversion, a total of up to 13.15m ordinary shares will be issued, taking the total to 43.16m.

As a result the net asset value as at July 29 will be 253.27p or 236.47p fully diluted.

LEGAL NOTICES

MCPL Realisations Limited (In Administration) (Formerly Macdonald & Co. (Publishers) Limited

On 10th January 1992 MCPL Realisations Limited (formerly called Macdonald & Co. (Publishers) Limited) ("MCPL") went into administration. MCPL changed its name from Macdonald & Co. (Publishers) Limited to MCPL Realisations Limited on 5 June 1992. MCPL is a direct wholly-owned subsidiary of Caxton Publishing Holdings Limited, which itself is 90% owned by Maxwell Publishing Corporation Limited, which in turn is a direct wholly-owned subsidiary of Maxwell Communications Corporation Plc (in administration).

By a Court Order dated 22 July 1994, we, the administrators of MCPL were authorised to proceed with production and implementation of a scheme of arrangement under section 425 of the Companies Act 1985 between MCPL and its creditors. The purpose of the proposed scheme will be to enable us to make distributions to those creditors who shall have notified their claims to the Joint Administrators by the date to be fixed. Creditors who fail to give such notification by that date may be treated as having waived any and all claims they may have against MCPL. Whilst the proposed scheme is being prepared, we have been authorised to advertise for creditors and to agree claims.

Any person claiming to be a creditor of MCPL should contact us as soon as possible and, in any event, by 30th September 1994 at Price Waterhouse (ref. AVL), No.1 London Bridge, London SE1 9QL. (tel no: 071-939 5650).

Dated 5 August 1994

Anthony Victor Lomas

Peter Ryan Densham

Joint Administrators of MCPL Realisation Limited (formerly called Macdonald & Co. (Publishers) Limited)

CONTRACTS & TENDERS

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 11.08.94: Pool purchase price	Final Prices for trading on 14.07.94: Pool purchase price	Pool selling price
[illegible]	[illegible]	[illegible]	20.40
[illegible]	[illegible]	[illegible]	15.54
[illegible]	[illegible]	[illegible]	15.30
[illegible]	[illegible]	[illegible]	14.65
[illegible]	[illegible]	[illegible]	15.30
[illegible]	[illegible]	[illegible]	15.30
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[illegible]	[illegible]	[illegible]	15.23
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[illegible]	[illegible]	[illegible]	25.35
[illegible]	[illegible]	[illegible]	25.68

[illegible] ... no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8:30am and 5:15pm Monday to Friday.
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NOTICE OF REDEMPTION

Arab Banking Corporation (B.S.C.)
(incorporated with limited liability in the State of Bahrain)

US$100,000,000 Floating Rate Notes due 1996 (the "Notes")

Arab Banking Corporation (B.S.C.) hereby gives notice that pursuant to Condition 5(b) of the Notes it has elected to redeem all of the outstanding Notes on the Interest Payment Date falling on 22nd September, 1994 (the "Redemption Date").

Payments of Principal will be made against surrender of Notes (a) in dollars at the specified office of the Paying Agent in New York City or (b) at the option of the holder, at any specified office of any Paying Agent, by dollar cheque drawn on, or transfer to a dollar account maintained by the payee with, a bank in New York City. On the Redemption Date, all unmatured Coupons relating to the Notes (whether or not attached thereto) shall become void and no payments shall be made in respect thereof.

Notes will become void unless presented for payment within ten years and matured Coupons within five years from their respective Relevant Dates (as defined in Condition 7 of the Notes).

Principal Paying Agent (for payment of principal only)
Morgan Guaranty Trust Company of New York,
Corporate Trust Department,
23 Wall Street,
New York, N.Y. 10260-0023.

Paying Agents

Morgan Guaranty Trust Company of New York, Avenue des Arts 35, 1040 Brussels.

Morgan Guaranty Trust Company of New York, Mainzer Landestrasse 46, D6000 Frankfurt am Main.

Morgan Guaranty Trust Company of New York, 60 Victoria Embankment, London, EC4.

Swiss Bank Corporation, Aeschenvorstadt 1, CH 4002 Basle.

Kredietbank S.A. Luxembourgeoise, 42 Boulevard Royal, Luxembourg.

المؤسسة العربية المصرفية (ش.م.ب)
Arab Banking Corporation (B.S.C.)
ABC Tower, Diplomatic Area, P.O. Box 5698, Manama, Bahrain
C.R.No. 10299

ASLK-CGER IFICO
US$50,000,000
GUARANTEED FLOATING RATE BONDS DUE 2000

Notice is hereby given that for the ninth six months interest period from July 29, 1994 to January 31, 1995, the Bonds will carry an Interest Rate of 5.60% per annum. Interest payable on January 31, 1995 against coupon No. 9 will amount to US$ 289,33 per US$ 10,000 Bond and US$ 2.893,33 per US$ 100,000 Bond.

BANQUE UCL S.A. LUXEMBOURG
Agent Bank

COMPANY NEWS: UK

Soap wars may affect Hickson

By Tim Burt

Hickson International, the speciality chemicals group, yesterday warned it could be dragged into the "soap war" between Unilever and Procter & Gamble.

The group said the controversy had "reduced the upside potential" of PharmaChem, its detergent and chemicals subsidiary that supplies the manganese bleach used in Unilever's new soap powder.

Procter & Gamble has mounted a high-profile campaign against the so-called accelerator, claiming it leaves some clothes holed and faded.

While admitting a possible short-term impact on PharmaChem, Sir Gordon Jones, Hickson's chairman, said: "It is not yet possible to evaluate the extent to which this will constrain profit recovery in 1995."

The group has a contract to supply Lever Brothers, the UK detergents subsidiary of Unilever, until mid-1995. But analysts warned that the row could hit orders.

Lever Brothers, however, said the ingredient would be used in its restyled Surf and Radion brands, although no mention of the accelerator would be made in adverts.

Shares in Hickson, meanwhile, fell 9p to 168p yesterday as the group announced pretax profits in the six months to June 30 virtually unchanged at £12.1m on turnover ahead 5 per cent at £208.6m (£198.5m).

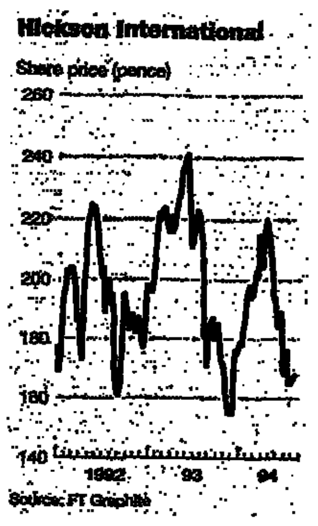
Profits at performance products, a core division which manufactures agrochemicals, sulphur-based products and personal care ingredients, fell 20 per cent to £4.7m despite increased sales of £76.3m (£69m). The decline was due largely to difficulties at Kerley, the division's US subsidiary, which was hit by low sulphur prices and over-capacity.

Pricing pressure in North America also affected the protection and coatings business. It reported operating profits of £6.5m (£6.6m) on sales of £81.8m (£82.1m).

Group operating profits, however, rose 9 per cent to £16.7m following an improved performance at Fine Chemicals, including a full-year contribution from PharmaChem. It helped lift divisional profits to £7.5m (£3.9m).

Earnings per share rose to 5.6p (4.8p) and the interim dividend is maintained at 2.85p.

Hickson International



Source: FT Graphite

● COMMENT

Hickson has prepared for the possibility of Unilever pulling the plug on its acclerator product. Its PharmaChem plant can be used for other products, and the group has devoted increased resources to improving coatings sales in Europe and reducing its overcapacity at Kerley. Better divisional management and reduced operating costs are also expected to help full-year profits reach £23m. On a forward multiple of 16 the shares look demanding enough given the uncertainty over PharmaChem.

O'Reilly lifts stake in SA newspaper group

By Tim Coone in Dublin

Independent Newspapers, the Irish publishing group controlled by Mr Tony O'Reilly, has lifted its stake in Argus Newspapers, the largest newspaper group in South Africa, from 30.1 per cent to 34.98 per cent, the maximum level permitted without triggering a full bid.

The additional 2.2m shares, taking Independent's stake to a total of 15.8m shares, were bought for R25.8m (£4.5m), or R11.74 per share.

This brings the total investment in the Argus group by Independent Newspapers to R181m since last July, when it bought its initial stake in a share-swap deal with Johannesburg Consolidated Investment Company and Anglo-American Corporation.

Independent Newspapers is the largest single shareholder in Argus Newspapers. The only other significant shareholder is the Argus pension fund, which holds 10 per cent.

Mr James Parkinson, group finance director of Independent Newspapers, said yesterday that a full bid for Argus Newspapers was not being contemplated.

Unlikely asset in search for income growth

John Gapper explains how banks' finance houses are assuming a new role, helped by structural shifts

When Midland Bank's 3m credit card customers were told last month that they could lease a car for up to two years, and either return it at the end of the period or buy it for an extra fee, they were being offered more than a finance deal. It was a token of a significant change within their bank.

Although the offer was made by Midland, it was structured by Forward Trust, the bank's finance house. It was the latest example of a Cinderella sector within banks assuming a new role. The results of such initiatives will be shown next Monday when Midland announces its half-year results.

Forward Trust is expected to follow the lead of other bank subsidiaries which offer leasing and structured finance for personal customers and small businesses to show healthy growth in profits and assets. As banks complain of poor demand for other forms of loans, finance houses are growing in importance.

Lombard North Central, National Westminster Bank's finance house, last week disclosed a 59 per cent rise in pretax profit to £111m for the first half. This came after UDT, the motor finance house of TSB Group, reported that a 32 per cent growth in new business had helped to double interim pre-tax profits.

Such figures mark a turnaround for operations which caused headaches at the turn of the decade. Lombard's profits on an £8bn book fell to just £3m in 1991. The finance houses have not only recovered from past problems, but now appear a valuable asset in banks' search for income growth.

The problems of the finance houses at the turn of the decade were due to three factors:

- Broad-based finance houses involved in a range of operations, such as Lombard and Forward Trust, were heavily exposed to the froth of the last boom. They financed office equipment and plant leasing for smaller companies in the south-east. This meant that bad debts rose sharply in the recession.
- Finance houses tended to boost profits by mismatching assets and liabilities, using short-term variable rate money to fund long-term fixed rate assets. Interest rate rises in the late 1980s "taught them they had to be a lot more careful," says Mr Graham Picken, Forward Trust chief executive.
- The finance houses tended to be poorly-managed and focused businesses, which grew rapidly in the mid-1980s and allowed costs to escalate. Lombard has cut its staff from 5,500 to 4,000, in a restructuring that split its business into three operating sectors.

Not all finance houses survived such travails. Mercantile Credit, Barclays' former finance house, was split in 1990 and the vehicle finance and personal sector arms were sold to GE Capital.

A combination of asset repricing, cost-cutting and more cautious treasury policy has since enabled the survivors to re-build on a sounder footing.

"There was some re-grouping, which meant that competitive pressures lessened somewhat," says Mr Brian Carte, chief executive of Lombard.

This should logically be a good time in the cycle for finance houses, since they usually gain from small and medium-sized companies re-tooling for expansion. "Naturally, as the economy comes out of recession, we are involved in forms of finance that go along with asset acquisition," says Mr Carte.

This effect can be seen clearly in motor finance, where the pent-up demand is emerging in higher fleet sales. Finance houses which have partnerships with big motor manufacturers have benefited. "When the economy picks up, the car market is the first to grow," says Mr John Davies, managing director of UDT.

Yet the finance houses' success cannot simply be ascribed to a cyclical turn. Companies have been cautious about investing in new equipment, and industry figures show only a modest growth in business finance and leasing. Those involved say they are still straining to sell products.

Mr John Callender, managing director of Barclays Mercantile, the bank's leasing arm, says companies are still cautious about taking on leases. "Demand is flattish across the board, and companies are still talking about demanding higher returns before they can invest," he says.

However, finance houses appear to be gaining from some structural shifts. One is manufacturers' use of point-of-sale finance. Customers have been offered low and zero interest finance, where a finance house provides a loan, and the manufacturer pays the interest subsidy.

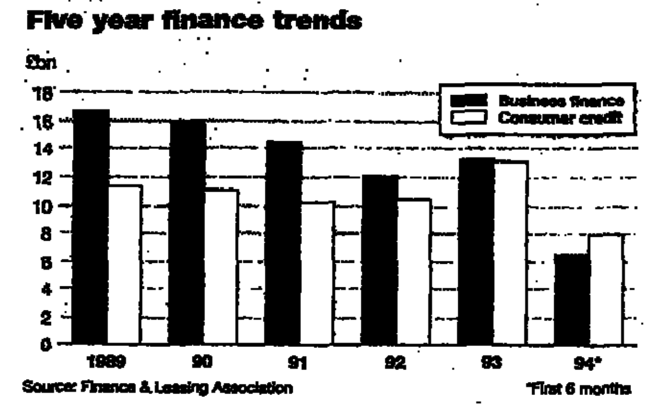
Finance houses have started to build on this in the vehicle sector by devising structured deals similar to Midland's where customers can pay off the depreciation on cars rather than the capital sum.

"The more such deals are offered, the less banks can compete with straight loans," says Mr Davies.

Banks are happy to allow their own finance houses to offer such products, providing they can achieve a viable return. Yet they are having to strive harder to integrate the products that finance houses offer with the mainstream loans, with which branch managers are more familiar.

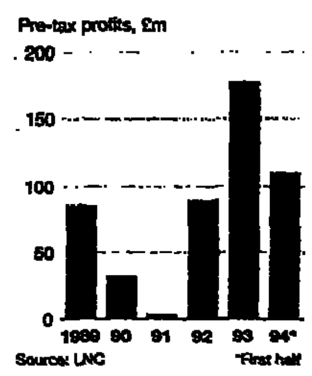
At the moment, finance houses seem a useful asset for banks at a time when demand for most assets is slack. But there are signs of narrowing margins as the finance houses compete more strongly. "We will probably see margins easing because there is an oversupply in the industry," says Mr Picken.

Five year finance trends



Source: Finance & Leasing Association *First 6 months

Lombard North Central



Source: LNC *First half

NEWS DIGEST

Scholes 63% ahead to £7.02m

Scholes Group, a supplier of electrical installation equipment, reported a 63 per cent advance in pre-tax profits from £4.31m to £7.02m for the year to June 30. Turnover grew from £62.7m to £66m.

In the home market, volumes were slightly below last year, while exports were buoyant, with turnover up 17 per cent. Operating profits rose 50 per cent from £4.8m to £7.2m.

Earnings emerged at 12.3p (7.7p). There being no final dividend, the 1.7p (1.6p) interim is the sole distribution for the year. Last year's total was 5p.

Ward Holdings

Ward Holdings, the housebuilder and property group, returned to the black with a pre-tax profit of £2.08m for the six months to April 30.

The outcome compared with profits of £347,000, and was struck on turnover down by almost £2m to £17.7m.

Earnings per share emerged at 3.8p (0.7p) and the interim dividend is 0.5p (nil).

F&C Enterprise

Foreign & Colonial Enterprise Trust reported a net asset value of 79.9p per share as at June 30. That compared with values of 72.9p at December 31 and 66.3p at end-June 1993.

Net revenue amounted to £841,000 (£374,000) for earnings of 0.89p (0.4p) per share.

Lofs

London & Overseas Freighters, the Bermuda-based and London-quoted shipping company, reported net income before tax of \$1.68m (£1.08m) for the three months to end-June, compared with \$1.25m the previous year.

Earnings per share were 2.3 cents (5.1 cents) and a dividend of 0.25 cents is declared, the first quarterly dividend the company has paid.

Metal Bulletin

A 39 per cent increase in pretax profits, from £871,300 to £1.21m, was announced by Metal Bulletin, the business publisher, for the six months to June 30. Turnover rose from £6.91m to £7.96m.

Earnings per share worked through at 8.1p (6p), and the interim dividend is 4p (2.9p).

Fleming Mercantile

Net asset value at Fleming Mercantile Investment Trust stood at 335.8p per share at July 31, a 9.3 per cent fall on the value at January 31.

Net revenue rose from £4.3m to £4.7m in the six months. An unchanged second interim dividend of 1.675p is declared.

Ecclesiastical Ins

Ecclesiastical Insurance Office, the ethical insurance company owned by Allchurches Trust, nearly doubled pre-tax profit in the six months to end-June from £4.76m to £8.18m.

City Merchants

Net asset value at City Merchants High Yield Trust fell 4.1 per cent between the end of December and the end of June, ending the period at 140.2p.

Earnings per share were 5.289p (4.787p). An unchanged second interim of 2p makes 4p (4p) for the six months.

COMMODITIES AND AGRICULTURE

Cautious increase in coffee futures

By Deborah Hargreaves

Coffee futures prices bounced back again yesterday after recent falls as traders covered short positions in the market ahead of a report from the US department of agriculture assessing the frost damage to Brazil's coffee trees which is due on Friday.

Soft commodities prices in general moved ahead partly as a result of technical buy signals motivating traders, but also based on fears about crop supplies in coffee, cocoa and sugar.

The November coffee futures contract at the London Commodity Exchange rose by $91 a tonne to $3,283 a tonne yesterday, but trading remained light and market participants were cautious. New York prices slipped in late trading after London's close as the market remained in limbo ahead of the crop report. "There's no rhyme nor reason to the way this market is trading at the moment until the news about the crop report is out," said Ms Judy Ganes, soft commodities analyst at Merr Lynch in New York.

The USDA report will be released after the close of trading on Friday which means that prices will not be affected by its findings until trading next Monday.

Cocoa prices jumped up in London trading on some technical buying and short-covering. The market closed £24 a tonne higher at £1,054 a tonne as some traders reported a growing interest from speculators and investment funds in cocoa trading.

"We're seeing lots of inquiries and a growing involvement of hedge funds in the cocoa market in the past few weeks," said a commodities director at a US investment bank.

Aluminium pact success

By Kenneth Gooding, Mining Correspondent

More evidence came yesterday that the unprecedented international trade agreement encouraging aluminium producers to cut output is having an increasing impact on the huge surplus that depressed prices for so long. The International Primary Aluminium Institute said producer stocks fell for the fourth consecutive month in June, by 12,000 tonnes to 1.993m tonnes.

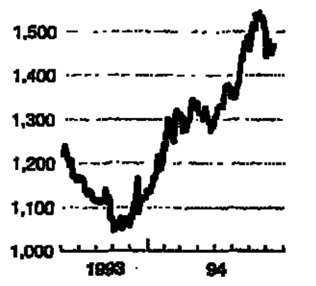
Since February, when delegates from six big aluminium producing areas signed a "memorandum of understanding" about production cuts, producer stocks have fallen by 141,000 tonnes or 6.6 per cent.

Mr Nick Moore, analyst at Ord Minnett, said London Metal Exchange stocks also fell in June – the first time in nearly four years that both stocks had fallen.

He suggested: "The memorandum of understanding clearly is working. But the industry still has a big task ahead." Stocks were still equivalent to 16 weeks of consumption and they needed to be 6½ weeks before producers could relax. So another 2.85m tonnes – or 40 per cent – had to be cut from combined IPAI and LME stocks of 4.8m tonnes.

Aluminium

LME 3 month, $ per tonne



Source: FT Graphite

Chinese plan large geological survey

China, faced with increasing shortages of oil, gas, copper and other key minerals, plans a huge geological survey in the hope of boosting reserves, the official Xinhua news agency said, Reuter reports from Beijing.

The ministry of geology and mineral resources said it planned to survey 2m sq km of China's land mass before the year 2000, and 1m sq km more from 2001 to 2010.

Geological surveys should have been completed on 1.35m sq km of China's total land area of 9.6m sq km by 1995, ministry officials said, because existing deposits of oil and gas were insufficient.

Oil reserves of 15.9bn tonnes have been found in China over the past 40 years and, of the 4.49bn tonnes that can be extracted, 2.42bn have been pumped out, they said.

Prospecting for oil and gas will be intensified over the next 20 years in west China, in the hopes of finding large deposits in areas such as the Tarim and Junggar basins.

China has enough uranium deposits to meet its immediate needs and, because more nuclear power stations are planned, a general survey of uranium deposits will be launched into the next century, the officials added.

China's annual steel output will exceed 100m tonnes by 2000.

Domestic iron ore is mostly low grade so China will continue to import rich ores, while finding more economical ways to treat low-grade ore, they said.

The ministry also plans to step up efforts to find new deposits of copper, for which China depended on imports for half of its needs.

The officials gave no more details.

Worm may turn India's exports

Kunal Bose on moves to revolutionise the country's silk production and limit imports

India, a distant second to China in silk production, is hardly able to use 15 per cent of the indigenous silk yarn for making exportable silk goods.

While there is a big domestic market for silk saris and dress materials in India, much of the local yarn is not good enough in terms of strength and lustre for producing exportable items.

"Our export of silk goods is pathetically dependent on imported yarn," says Mr S. Shah, spokesman for the Silk Association of India. "We are importing over 3,000 tonnes of yarn to sustain the production of exportable goods. Our principal source of import is China."

In spite of the structural weakness of the Indian silk sector, the export of silk goods was up 7.8 per cent to Rs7.92bn during the year to March 31.

In the past few years, however, India had recorded a much higher rate of export growth. The most important destination for Indian silk goods was western Europe, with a share of 43.5 per cent, followed by the US (39.4 per cent) and Asia (15.4 per cent).

The structural weakness resulting from over-dependence on the import of silk yarn cannot be overcome in the immediate future. The Central Silk Board is, however, banking on a Japanese government-funded project to develop a race of acclimatised bivoltine silkworms producing a stronger fibre than India's multivoltine worms. The richness of Chinese silk is due to the practice of bivoltine sericulture on a large scale.

China produces nearly 55,000 tonnes of silk yarn a year, of which as much as 85 per cent is exported. Mr P.S.S. Thomas, secretary of CSB, says: "The laboratory work on the development of bivoltine silkworms has been quite encouraging and we should be ready for field trials later this year."

In India, the cocoon created by multivoltine worms has a silk content of about 17 per cent. But the silk content could go up to 24 per cent if it is formed by bivoltine worms. But a breakthrough in sericulture cannot be taken for granted until the field trials are over. Bivoltine silk worms do well in temperate zones, but most of India has a tropical climate.

For the the bivoltine project to succeed, the sericulturists must also be exposed to sophisticated rearing and reeling practices. In spite of the many uncertainties surrounding the project, Mr Thomas says it should be possible to produce 1,000 tonnes of bivoltine silk in 2½ years.

Self-reliance in raw silk is not a high priority in a regime of free trade where the import of silk yarn is allowed on condition of the export of silk goods (after a high degree of value addition). Nevertheless, the industry believes that if India is able to produce "a respectable quantity of good-quality bivoltine silk", then its silk trade will become stable.

According to industry officials, the past 18 months have shown how much the Indian trade in silk is influenced by Chinese prices. When China made a drastic cut in silk prices early last year, the bottom fell out of the Indian trade and growers started losing interest in silk. Fortunately, the cocoon and yarn prices have once again become remunerative. But this is also seen as a reaction to the revision in silk prices by China.

While the Central Sericulture Research Institute at Mysore is responsible for the development of bivoltine silkworms, the Indian Institute of Science at Bangalore has created the country's first genetically engineered silkworms. The scientists behind the IIS project say a proper selection of genes "could revolutionise the Indian sericulture".

The genetically engineered silkworms should be able to withstand a virus attack, and it should be possible to produce coloured silk from them.

But Mr Thomas is not expecting a breakthrough overnight. "Anything to do with biotechnology needs time and investment," he says. "What the CSB is planning to do is to involve a number of national and foreign institutes to work on the development of new races of productive and disease resistant silkworms."

The challenge before India is to improve the growers' return from sericulture. With the productivity of raw silk stagnating at less than 40kg a hectare (2.471 acres) compared with more than 80kg in China, the growers may switch to crops such as sugar cane, cotton and oilseeds, industry officials fear.

Because of the comparatively high returns from the other crops, sericulture, under a six-year project funded by the World Bank, could make little headway in non-traditional silk-growing states such as Rajasthan and Gujarat. But progress in the five traditional silk producing states of Karnataka, Andhra Pradesh, Tamil Nadu, West Bengal and Jammu & Kashmir, as well as in some non-traditional areas, in bringing new areas under sericulture and changing silk growing practices is encouraging.

The CSB is hopeful that by 1996-97 when the World Bank project is over, India's production of mulberry silk will have increased to 16,000 tonnes. When the project was launched in 1988-89, India's production of mulberry silk was only 9,500 tonnes and much of it of inferior quality. This year, India is expecting a mulberry silk production of 14,425 tonnes.

Maize price slump expected

By Laurie Morse in Chicago

Fine weather and favourable rains over the past month are expected to produce a near-record maize harvest in the US which could force prices down by as much as 20 per cent.

The US department of agriculture this morning is expected to forecast a maize crop of about 9.5bn bushels (1 bushel=56lb).

That figure would come close to equalling the harvest of 1992, when US farmers produced 9.5bn bushels.

It would also be well above last year's meagre 6.3bn bushel crop, which was affected by flooding during the growing season.

"We've got a big crop in super condition, and that typically means low prices and big demand," said Mr Bill Biedermann, an analyst with the research firm Allendale, Inc.

This is good news for companies which store and handle grain, and for the railroads and barge lines that transport the crop.

Grain analysts predict that the price of a bushel of maize traded for December delivery at the Chicago Board of Trade could fall below $1.89 – nearly 20 per cent lower than today's prices.

However the price of maize has fallen steadily since early July, and other analysts are less bearish in their outlook.

"The US supply will be up, but the world supply will be almost unchanged," said Mr Daniel Basse, a principal with Agresources in Chicago.

On the demand side, the USDA report is expected to reflect heavy maize consumption by the US livestock industry.

The USDA will also report on US soyabean production data today, and the average trade estimate is a harvest of around 2.3bn bushels.

That is also a much larger crop than last year, and producers will face competition from what promises to be a record Canadian Canola harvest.

MARKET REPORT

Russian threat hits nickel

NICKEL continued its plunge on the London Metal Exchange yesterday as the threat of large second-half Russian shipments undermined market sentiment. Support developed around the $5,800 a tonne level, after an early fall to $5,760, and at the close nickel was $5,816.50, down $38.5 from Tuesday.

LEAD was another metal where fears of further stock increases – following recent deliveries of Russian, Polish and Macedonian metal into LME warehouses – took their toll. Trade selling swamped initial commission house buying and touched off sell-stops down to $565 before the price recovered to close at $574.25 a tonne, down $9.25.

ALUMINIUM benefited from a further fall in IPAI stocks which complemented recent steady falls in LME stocks. Three-months delivery closed at $1,470.75 a tonne, up $6.75. Traders said aluminium could test resistance at $1,485 during the current advance.

OIL prices fell as traders' attention shifted from the Nigerian oil workers strike to worries about European oversupply. September Brent crude oil futures slid 17 cents to $17.68 a barrel. The Nigerian strike has boosted oil prices by $2 over the last month as the country's output of 1.9m barrels a day has been cut by 30 per cent.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1443.5-4	1470.5-1
Previous	1436-7	1463.5-4.5
High/low	1440/1439	1472/1456
AM Official	1437.5-8.5	1466-6.5
Kerb close		
Open int.	262,716	
Total daily turnover	43,206	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1530-5	1520-5
Previous	1495-505	1500-5
High/low		1530/1500
AM Official	1520-5	1515-20
Kerb close		1525-30
Open int.	2,817	
Total daily turnover	656	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	555.5-6.5	574-4.5
Previous	565-6	583-4
High/low		582/565
AM Official	552-3	569.5-70.5
Kerb close		568-9
Open int.	41,370	
Total daily turnover	10,948	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5725-35	5815-8
Previous	5760-70	5850-60
High/low		5870/5760
AM Official	5714-5	5800-3
Kerb close		5823-5
Open int.	57,228	
Total daily turnover	15,978	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5105-15	5185-90
Previous	5085-95	5160-5
High/low	5095	5190/5160
AM Official	5090-100	5170-2
Kerb close		5185-90
Open int.	18,178	
Total daily turnover	3,915	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	931-2	954-5
Previous	928-9	951-2
High/low		957/950
AM Official	931-2	954-4.5
Kerb close		957-8
Open int.	104,839	
Total daily turnover	12,855	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2402.5-3.5	2410-1
Previous	2392-3	2396-7
High/low	2386/2385	2413/2392
AM Official	2385.5-6	2395-6
Kerb close		2413-4
Open int.	226,777	
Total daily turnover	47,492	

■ LME AM Official £/$ rate: 1.5407
LME Closing £/$ rate: 1.5386

Spot:1.5394 3 mths:1.5371 6 mths:1.5365 9 mths:1.5353

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Aug	108.70	+1.70	108.70	108.00	384	180
Sep	108.95	+1.70	109.10	107.30	24,130	4,695
Oct	109.20	+1.65	108.70	108.70	642	69
Nov	109.35	+1.65	108.70	108.70	533	20
Dec	109.45	+1.65	109.50	107.80	13,334	1,408
Jan	109.25	+1.65	-	-	348	1
Total					46,120	6,695

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	378.20-378.60	
Opening	378.30-378.70	
Morning fix	378.30	245.809
Afternoon fix	378.30	245.570
Day's High	378.90-379.30	
Day's Low	378.00-378.40	
Previous close	377.80-378.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.97 6 months 4.48
2 months ....4.08 12 months 4.69
3 months 4.16

Silver Fix	p/troy oz.	US cts equiv.
Spot	335.35	515.90
3 months	339.65	521.75
6 months	344.30	528.25
1 year	355.95	543.75

Gold Coins	$ price	£ equiv.
Krugerrand	383-386	249-251
Maple Leaf	388.60-391.05	-
New Sovereign	88-91	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Aug	377.2	-0.3	378.1	377.5	509	240
Sep	378.1	-0.3	-	-	-	-
Oct	379.6	-0.4	381.0	379.6	10,477	410
Dec	382.6	-0.4	384.2	382.6	92,247	13,790
Feb	386.0	-0.4	387.4	386.5	11,352	142
Apr	389.3	-0.4	390.2	390.2	6,383	124
Total					155,058	15,303

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	415.1	+2.9	416.0	414.0	18,582	1,965
Jan	417.9	+2.9	418.5	416.0	3,359	14
Apr	420.5	+2.9	421.5	419.5	1,854	52
Jul	423.5	+2.9	-	-	401	100
Oct	426.0	+2.9	-	-	103	100
Total					24,299	2,231

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	154.10	-	155.00	154.00	4,489	624
Dec	154.00	+0.40	155.50	154.00	1,581	162
Mar	153.90	+0.40	-	-	232	61
Total					6,302	747

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Aug	512.6	-	-	-	-	-
Sep	514.5	+1.0	517.5	514.0	72,496	8,080
Dec	521.5	+1.0	524.5	521.0	29,748	1,310
Jan	523.8	+1.0	-	-	34	-
Mar	528.2	+1.0	532.0	530.0	6,807	21
May	534.5	+1.0	536.0	535.5	3,838	-
Total					122,383	9,588

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	18.87	-0.43	19.35	18.74	75,249	45,458
Oct	18.80	-0.29	19.14	18.72	62,041	30,051
Nov	18.70	-0.22	18.93	18.67	35,784	10,421
Dec	18.58	-0.14	18.78	18.57	46,105	10,588
Jan	18.45	-0.14	18.58	18.47	24,104	4,194
Feb	18.45	-0.08	18.51	18.45	14,819	2,520
Total					393,982	108,930

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	17.78	-0.09	17.88	17.45	63,262	18,765
Oct	17.68	-0.06	17.78	17.48	52,350	12,757
Nov	17.44	-0.21	17.68	17.43	15,632	3,348
Dec	17.34	-0.20	17.55	17.34	17,980	2,584
Jan	17.24	-0.18	17.28	17.21	7,457	1,065
Feb	17.18	-0.14	17.27	17.18	4,497	-
Total					171,493	38,447

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	49.85	-0.32	50.40	49.70	31,594	13,167
Oct	50.75	-0.39	51.25	50.70	19,882	6,893
Nov	51.80	-0.40	52.05	51.75	12,858	1,872
Dec	52.85	-0.35	53.05	52.75	29,276	5,153
Jan	53.50	-0.35	53.65	53.50	16,169	1,922
Feb	53.70	-0.30	53.70	53.70	5,757	353
Total					137,353	30,387

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	153.25	+1.00	155.25	150.75	13,187	7,613
Sep	156.25	+0.50	158.00	154.25	26,276	7,897
Oct	159.50	-	161.00	158.00	20,972	3,328
Nov	162.00	-	162.50	160.25	12,699	1,632
Dec	164.25	+0.25	165.00	162.50	15,134	1,192
Jan	165.25	+0.25	166.00	163.75	9,248	677
Total					107,818	22,288

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	1.748	+0.042	1.750	1.695	21,958	12,095
Oct	1.870	+0.033	1.870	1.850	18,124	6,409
Nov	2.056	+0.014	2.065	2.040	11,689	2,501
Dec	2.215	+0.013	2.220	2.205	17,627	1,557
Jan	2.230	+0.008	2.230	2.220	11,835	1,489
Feb	2.160	+0.017	2.160	2.153	7,631	519
Total					127,931	26,738

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	58.15	-1.07	59.10	57.80	40,326	14,516
Oct	54.65	-1.00	55.55	54.40	19,251	6,563
Nov	52.45	-0.70	52.90	52.25	12,258	2,372
Dec	57.70	-0.60	58.00	57.50	7,045	859
Jan	56.00	-0.70	56.25	58.00	2,588	455
Feb	56.90	-			1,982	189
Total					83,450	24,955

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	105.85	-0.30	105.90	105.90	371	6
Nov	108.45	-0.65	108.75	108.50	2,264	21
Jan	108.25	-0.75	109.00	108.30	1,748	109
Mar	109.90	-0.35	110.25	110.00	698	11
May	111.65	-0.40	111.80	111.75	959	17
Jul	113.50	-1.00	-	-	146	-
Total					6,186	164

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	333/2	+2/2	334/0	329/2	14,708	3,3341
Dec	347/6	+2/0	348/4	343/6	35,233	6,421
Mar	354/6	+2/4	355/4	350/6	9,377	551
May	349/6	+3/2	350/0	345/0	623	47
Jul	333/0	+3/0	333/0	330/0	1,211	94
Dec	340/0	-	-	-	2	-
Total					61,164	10,447

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	219/2	+1/0	219/4	217/4	35,984	6,269
Dec	223/2	+1/4	223/6	221/2	124,389	10,685
Mar	232/4	+2/0	233/0	230/0	25,247	1,103
May	238/6	+1/4	239/0	237/0	10,925	609
Jul	243/2	+1/4	243/4	241/0	9,508	400
Sep	244/4	+1/0	244/4	243/0	659	8
Total					211,794	19,297

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	104.00	-0.40	104.00	104.00	122	23
Nov	104.95	-0.70	105.40	105.00	498	75
Jan	106.40	-0.65	107.00	106.40	148	78
Mar	108.25	-1.25	-	-	27	-
May	109.75	-1.25	-	-	1	-
Total					796	176

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	583/0	+0/4	584/2	582/0	6,049	1,047
Sep	569/0	-0/6	571/4	568/4	14,242	2,556
Nov	563/2	-0/2	565/6	562/2	73,621	15,919
Jan	571/4	-	573/4	570/4	11,813	1,365
Mar	580/6	-	582/6	580/0	4,322	777
May	588/0	-0/4	590/0	587/0	3,099	307
Total					121,380	22,488

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	24.22	-0.14	24.40	24.12	3,806	922
Sep	24.13	-0.16	24.34	24.07	20,482	3,780
Oct	24.01	-0.06	24.14	23.85	15,470	2,405
Dec	23.89	-0.01	23.98	23.80	33,528	6,868
Jan	23.89	-0.01	23.93	23.81	4,395	276
Mar	23.89	-0.01	23.95	23.85	4,802	666
Total					87,865	14,790

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	173.6	+0.1	173.7	172.7	6,197	3,988
Sep	172.2	-0.8	173.1	172.0	19,264	4,828
Oct	171.8	-0.5	172.8	171.7	10,884	1,483
Dec	172.1	-0.3	173.0	172.0	32,287	3,970
Jan	173.0	-	173.7	172.9	4,682	389
Mar	175.0	+0.1	175.5	174.8	5,440	533
Total					84,208	15,827

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	77
Apr	191.3	+7.5	194.0	187.0	1,166	-
May	235.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,166	77

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	1500	+8	1505	1495	841	20
Sep	1465	+10	1474	1460	538	154
Oct	1470	+15	1470	1455	609	78
Jan	1484	+9	1485	1475	300	74
Apr	1502	+4	-	-	102	-
Jul	1353	+28	1375	1375	80	50
Total					2,278	376

	Close	Prev
BFI	1492	1483

Cotton
Spot and shipment sales in Liverpool amounted to 290 tonnes for the week ended August 5 against the identical number of tonnes in the previous week. Renewed purchasing in many specialist styles attracted much attention. American qualities moved off freely.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1034	+27	1037	1019	15,968	1,806
Dec	1054	+24	1060	1040	29,625	6,118
Mar	1075	+23	1080	1061	29,761	770
May	1087	+25	1089	1078	10,472	58
Jul	1095	+24	1082	1082	4,269	25
Sep	1104	+23	1107	1093	8,385	77
Total					105,798	8,855

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1383	+19	1402	1363	20,115	3,362
Dec	1434	+19	1451	1420	27,752	3,683
Mar	1470	+22	1482	1459	9,301	357
May	1490	+22	1493	1480	3,114	28
Jul	1510	+22	-	-	2,385	-
Sep	1530	+22	-	-	1,237	1
Total					68,691	7,441

■ COCOA (ICCO) (SDR's/tonne)

August 9	Price	Prev. day
Daily	1030.86	1028.99

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	3314	+91	3340	3263	13,182	1,189
Nov	3283	+89	3290	3235	10,392	1,590
Jan	3252	+79	3260	3205	10,167	1,388
Mar	3238	+83	3225	3185	3,977	836
May	3220	+112	3220	3175	1,032	49
Jul	3210	+105	-	-	28	-
Total					38,778	5,834

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	177.45	-4.85	187.50	176.00	11,086	6,571
Dec	181.70	-4.85	191.50	181.00	16,482	5,286
Mar	185.90	-9.00	194.00	185.90	5,441	326
May	187.00	-9.00	195.00	187.50	1,640	225
Jul	188.00	-9.00	195.50	190.00	354	10
Sep	191.75	-6.25	198.50	192.00	55	22
Total					36,301	12,448

■ COFFEE (ICO) (US cents/pound)

August 9	Price	Prev. day
Comp. daily	169.04	173.86
15 day average	186.96	189.28

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.23	+0.08	-	-	1,801	-
Jan	11.82	-	-	-	-	-
Mar	12.05	+0.07	-	-	90	-
Total					1,891	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	317.70	+0.30	318.10	316.70	10,865	1,041
Dec	314.10	-	315.00	313.80	1,238	73
Mar	314.60	-0.20	315.50	314.00	4,895	534
May	314.20	-0.30	314.20	314.10	421	10
Aug	315.30	-	315.40	315.10	386	10
Oct	302.00	+0.20			186	-
Total					17,891	1,668

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	11.91	+0.08	11.94	11.79	61,772	8,051
Mar	11.88	+0.09	11.89	11.80	36,924	3,571
May	11.82	+0.09	11.82	11.72	8,852	676
Jul	11.74	+0.07	11.74	11.68	3,165	527
Oct	11.53	+0.08	11.53	11.44	1,413	2
Mar	11.25	-	-	-	209	-
Total					112,448	12,827

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	69.39	-0.53	-	-	1	-
Oct	71.15	-0.04	71.99	70.35	5,904	285
Dec	70.22	-0.36	71.08	69.75	28,868	1,487
Mar	71.62	-0.18	72.25	71.30	7,290	143
May	72.50	-0.25	73.15	72.10	4,317	48
Jul	73.27	-0.23	73.75	72.85	2,768	8
Total					49,821	1,957

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	93.30	-3.65	94.45	91.65	11,105	438
Nov	96.80	-3.75	98.00	95.55	3,801	175
Jan	100.55	-3.55	101.90	99.50	3,707	82
Mar	104.30	-3.30	104.50	103.50	2,495	33
May	107.80	-3.05	109.00	109.00	640	7
Jul	109.80	-3.05	110.00	110.00	232	6
Total					22,275	739

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 10	Aug 9	month ago	year ago
2068.2	2065.2	2133.2	1644.3

■ CRB Futures (Base: 4/9/56=100)

Aug 9	Aug 8	month ago	year ago
231.52	231.05	228.31	215.10

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	70.650	-	70.900	70.325	9,403	4,263
Oct	73.150	+0.200	73.250	72.850	30,473	5,777
Dec	71.400	+0.025	71.575	71.125	13,885	1,584
Feb	70.400	+0.075	70.550	70.125	9,784	557
Apr	71.900	-0.050	72.000	71.800	5,730	455
Jun	68.950	+0.075	69.000	68.800	1,368	47
Total					70,858	12,676

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	45.575	-0.300	46.150	45.500	2,428	1,283
Oct	41.350	-0.225	41.850	41.275	12,534	3,725
Dec	41.550	-0.075	41.750	41.400	6,248	1,613
Feb	41.250	-0.025	41.580	41.175	1,898	178
Apr	40.275	+0.075	40.400	40.050	1,187	38
Jun	45.050	+0.025	45.050	44.900	484	17
Total					24,919	6,861

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	33.475	+0.400	34.000	32.200	903	816
Feb	47.100	+0.250	47.450	46.350	6,412	2,001
Mar	46.775	+0.325	47.350	46.050	354	113
May	48.750	-	47.400	-	42	3
Jul	48.400	+0.425	48.400	47.850	66	8
Aug	47.000	+0.400	47.000	-	14	2
Total					7,791	2,943

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1425	49	96	18	41
1450	35	82	29	51
1475	23	69	42	63
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
2350	94	130	27	74
2400	63	104	45	97
2450	40	82	72	124
■ COFFEE LCE	Sep	Nov	Sep	Nov
3250	139	328	75	295
3300	112	305	98	322
3350	90	287	126	354
■ COCOA LCE	Sep	Dec	Sep	Dec
975	62	118	3	39
1000	41	103	7	49
1050	13	76	29	72
■ BRENT CRUDE IPE	Sep	Oct	Sep	Oct
1800	7	42	36	74
1850	3	28	72	-
1900	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Sep)

		+or-
Dubai	$16.32-6.42w	-0.27
Brent Blend (dated)	$17.33-7.37	-0.365
Brent Blend (Sep)	$17.61-7.65	-0.365
W.T.I. (1pm est)	$18.95-8.97w	-0.40

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$214-215	-1.0
Gas Oil	$156-157	
Heavy Fuel Oil	$87-89	-4.0
Naphtha	$165-167	-1.0
Jet fuel	$171-173	

Petroleum Argus assessments

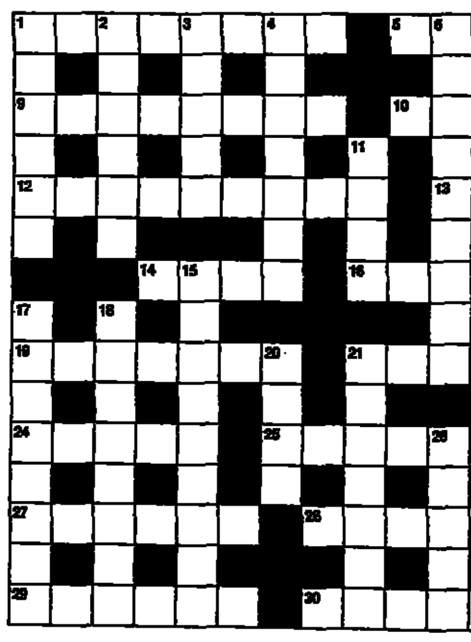
■ OTHER

Gold (per troy oz)♣	$378.40	+0.40
Silver (per troy oz)♣	515.50c	+1.00
Platinum (per troy oz.)	$412.00	+4.25
Palladium (per troy oz.)	$152.00	+0.75
Copper (US prod.)	112.0c	
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.32m	+0.29
Tin (New York)	239.5c	
Cattle (live weight)†⊙	120.02p	+2.66*
Sheep (live weight)†♠⊙	92.91p	+0.26*
Pigs (live weight)⊙	73.07p	+3.46*
Lon. day sugar (raw)	$304.30	+0.40
Lon. day sugar (wte)	$344.0	+2.0
Tate & Lyle export	£310.0	
Barley (Eng. feed)	£106.0	
Maize (US No3 Yellow)	$142.5	
Wheat (US Dark North)	£180.0	
Rubber (Sep)♥	87.0p	
Rubber (Oct)♥	86.0p	
Rubber KL RSS No1 Aug	319.0m	-1.0
Coconut Oil (Phil)§	$635.0z	+15.0
Palm Oil (Malay.)§	$580.0w	+20.0
Copra (Phil)§	$397.0	+15.0
Soyabeans (US)	£176.0w	
Cotton Outlook 'A' index	78.15c	+0.10
Wooltops (64s Super)	440p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct/Dec. z Aug/Sep. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. ⊙ Prices are for previous day.

CROSSWORD

No.8,529 Set by VIXEN

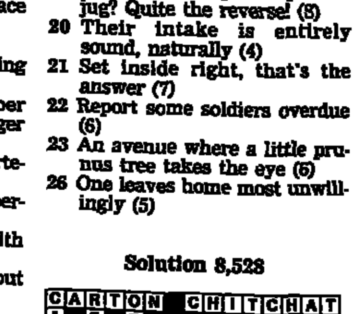


ACROSS
1 He'll make peace – if a price is arranged (8)
5 Mark, a sailing man, wanted a sacred symbol (6)
9 Emphasised backing for sweets (8)
10 New dues quite wrong, admits Greek character (6)
12 A work of art presented by head of state? (5)
13 Back-track in an Italian place (5)
14 Some break (4)
16 Calling for the waterproofing of footwear (7)
19 "Shake" – a great number included by a certain singer (7)
21 Regretted sounding discourteous (4)
24 Fancy the novice being perfect! (5)
25 Show material to view with distaste (9)
27 A charge may be set without one (6)
28 A letter for a buccaneer (8)
29 Blocks the Spanish or German engineer (6)
30 Torn about always appearing deferential (8)

DOWN
1 Sell goods for five hundred pounds, being in deep distress (6)
2 Outer cover causing the accountant to give voice (6)
3 Runs away and feels free (5)
4 Remove superfluous weight (7)

6 A painter pores over a catalogue (9)
7 Bridle as others shower (8)
8 Jokey talk which gets unacceptable in time (8)
11 Paid to eat (4)
15 A mean club might well provide such transport (9)
17 Hurried around to dance unhampered by clothing (8)
18 Refuse to put a philosopher in jug? Quite the reverse! (8)
20 Their intake is entirely sound, naturally (4)
21 Set inside right, that's the answer (7)
22 Report some soldiers overdue (6)
23 An avenue where a little prunus tree takes the eye (6)
26 One leaves home most unwillingly (5)

Solution 8,528



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Equities rally after challenging support level

By Terry Byland,
UK Stock Market Editor

London traders continued to watch the US closely yesterday, and both gilt-edged securities and shares again staged a cautious rally towards the close as the dollar improved following first reports from the Congressional appearance of Mr Alan Greenspan, chairman of the US Federal Reserve Board. However, London traders went home still waiting for the outcome of the auction of $12bn Federal bonds.

An early loss of 16.4 points on the FT-SE 100 Index was cut to a mere 1.6 at the final reading of 3,167. The low of the day saw a challenge to the Footsie 3,152 area, which is regarded as an important support level.

But trading volume was very low in the early part of the session and a later improvement reflected in part the completion of Monday's trading programme, which is now thought to have been close to £200m worth of equities across the range of the market.

The market continued to focus on prospects for US markets as they take aboard Mr Greenspan's testimony and this week's heavy funding programme which continues tomorrow, and will be preceded by important statistics on US retail sales, producer prices and unemployment claims.

On the domestic front, equities were also subdued at first by release of the minutes of last month's meeting between Mr Kenneth Clarke, UK chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England. The governor's comment that base rates should be raised "sooner rather than later" reinforced market views that base rates will be lifted from their present 5¼ per cent level well before the end of the year, and perhaps as soon as next month.

However, many analysts believe that a ¼ percentage point or even a half-point rise in base rates might be taken in its stride by a market still responding to a steady flow of good company profits and higher dividends.

UK government bonds staged a good recovery to close firmer on the day, and this buttressed the rally in equities. The second-line stocks were less responsive than the blue chips and the FT-SE Mid 250 Index closed 9.5 off at 3,716.9.

Non-Footsie stocks made up around 57 per cent of the day's Seaq total of 593m shares. On Tuesday, 669.9m shares in UK companies were traded, bringing a strong retail total by value of £1.52bn. The London market appears to have continued to attract investors from Europe and the US throughout its recent sluggish trading period.

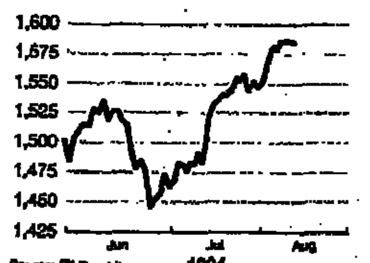
Strength in the pharmaceutical and oil sectors, both well supported from the US, helped to rally the market as well as to offset weakness among Far Eastern banks in spite of good half-time figures from Standard Chartered. The insurance sector was subdued, the exception being Commercial Union as the first-half results and the details of the bid for Groupe Victoire, of France, were absorbed by the market.

UK banks turned in a mixed performance, with Barclays giving back a few pence of the gain which greeted the half-time profits announced in the previous session. Company trading reports brought a number of features elsewhere in a generally subdued market.

Market strategists were beginning to focus on next week's meeting of the US Federal Open Market Committee which will be discussing interest rate policy against a background of the latest data on inflation and economic growth in the US.

At home, similar factors apply, and yesterday's publication of the early July meeting of the chancellor and the Governor of the Bank of England has turned the market's attention to next week's heavy list of UK data on domestic inflation and unemployment.

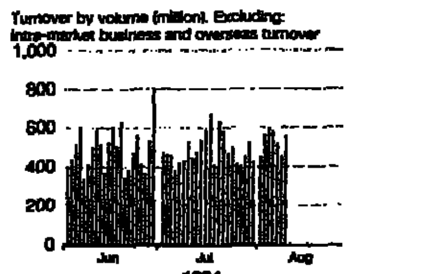
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ **Key Indicators**

Indices and ratios

FT-SE 100	3167.0	-1.6	FT Ordinary Index	2478.2	+4.1
FT-SE Mid 250	3716.9	-9.5	FT-SE-A Non Fins p/e	19.95	(19.95)
FT-SE-A 350	1598.1	-1.6	FT-SE 100 Fut Sep	3174.0	n/c
FT-SE-A All-Share	1585.28	-1.30	10 yr Gilt yield	8.55	(8.58)
FT-SE-A All-Share yield	3.76	(3.75)	Long gilt/equity yld ratio:	2.27	(2.31)

Best performing sectors		Worst performing sectors	
1 Pharmaceuticals	+1.5	1 Electricity	-1.2
2 Other Financial	+0.7	2 Gas Distribution	-1.2
3 Consumer Goods	+0.5	3 Banks	-0.9
4 Diversified Indls	+0.5	4 Other Services & Bsns	-0.8
5 Media	+0.5	5 Merchant Banks	-0.8

Glaxo in demand from US

Heavy US buying of Glaxo ensured that the pharmaceuticals group was the market's star performer yesterday. The buying reflected technical position-taking rather than an investment response to a new version of Zantac, its headline anti-ulcer treatment.

The shares saw continuing support from a more positive stance taken by Goldman Sachs at the end of last week. Also, there was a rush of what one dealer described as "panic covering" by US hedge funds. The leveraged investment funds had sold stock on concern over slowing sales growth for Zantac, which represents about 44 per cent of group profits.

Apparently the short position in the US had reached 15m Glaxo American Depositary Receipts, the equivalent of 30m shares. The feeling that the stock had run down too far saw the bears scurrying for cover. The squeeze sent the shares racing up 20 at one stage before closing a net 17 higher at 629p on turnover of 6m. One international arbitrage dealer said: "I think the panickers have panicked enough and Glaxo could consolidate at this chart level."

The buying of the shares reignited the bid speculation that now hovers over Wellcome and Zeneca, which firmed 2 to 678p and 5¼ to 823p respectively.

Recs mixed

The regional electricity (recs) stocks came under substantial selling pressure in midsession but began to pick up during the late afternoon as rumours concerning the distribution review, due to be announced this morning, circulated in the market.

Shares in the recs rocketed last week as the market picked up hints that the review would be much more lenient to the companies than had previously been expected.

Dealers said the late surge saw stock being taken aggressively from the inter-dealer broker screens, but they warned that much of the expected good news, as far as the market was concerned, was already in prices of the recs. They did, however, expect a burst of switching activity among the 12 recs after the review news is made public.

Utilities specialists said the market had already factored in an average price reduction of 15 per cent plus a price formula giving the companies price rises of inflation minus 3 to 4 per cent. "The review will have to produce something exceptional to trigger any further big gains in the short term," said one specialist.

However, there were suggestions late yesterday that the price formula could come in as low as inflation minus 2 per cent. If so, analysts predicted a further series of strong rises in the sector.

Eastern Electricity was an exception to the general rule, making good progress throughout the day to close 5 higher at 709p after strong buying interest from the US.

Standard weak

The worst individual performance in the FT-SE 100 came from Standard Chartered, the banking group, whose shares fell almost 6 per cent in spite of top of the range half-year profits. The market was concerned about pressures on margins in the group's Hong Kong business, a factor which also took its toll of HSBC shares. The latter is scheduled to report interims on Monday.

One dealer said Standard's underlying figures were "OK but unspectacular; the lack of good news at the analysts' meeting put more pressure on the shares". At the close Standard shares were 16 down at 259p, having touched a day's low of 255p. Turnover of 9.4m shares was the highest single day's business since mid-June. HSBC fell 16¼ to 778p on volume of 5.8m.

Lloyds Bank rose 6 to 555p ahead of a press conference called for this morning at which Lloyds will give details of its revised offer for the Cheltenham & Gloucester Building Society.

Turnover in British Steel rose to 16.8m, making it the day's most active stock, and the shares firmed 2½ to 164½p as sentiment was boosted by favourable results from Dutch steel group Hoogovens.

Engineering concern GKN advanced 6 to 657p in trade of 3.2m as brokers upgraded full-year profits expectations after it reported interim figures ahead of the best market forecasts.

Profits jumped 62 per cent to £97m, with analysts impressed by the rise given the small increase in sales and improvement in margins in the automotive division.

The list of brokers upgrading included Mr Robert Speed at Henderson Crosthwaite, a long time bull of the stock. He raised his full-year forecast by £22m to £190m, while NatWest Securities lifted its estimate by £28m to £205m.

A Smith New Court recommendation continued to support Rolls-Royce, which closed 5 ahead at 201p.

Profit-taking in Transport Development Group left the shares 8 adrift at 227p, after the company reported improved first-half figures.

Marketing services group WPP shed 3½ to 119½p on profit-taking following figures at the high end of expectations. The market is awaiting an injection of 190m shares into the market as the banks which bailed out the group two years ago unwind the rest of their debt-for-equity swap.

Positive comment on Courtaulds' fibre operations and talk of a recommendation by Robert Fleming Securities saw the shares add 10 at 548p.

The sud war between household products groups Procter & Gamble and Unilever hit Hickson International as it announced first-half figures. Hickson makes Accelerator, the bleach ingredient at the centre of the washing powder wrangle. The shares retreated 9 to 168p.

International conglomerate Hanson added 3½ at 263½p following a detailed analysis of the group in conjunction with BTR, Williams and Tomkins from Credit Lyonnais Laing. The research looks at prospects for the groups in the US and highlights Hanson as offering the best value. BTR and Williams were flat at 387p and 370p respectively. Tomkins gained 1½ at 236p.

The recent strong showing by Bass prompted a couple of switch recommendations, with Whitbread being the chief beneficiary. Hoare Govett and James Capel were said to be recommending the move to clients. Bass declined 7 to 563p on 1.3m shares traded, while Whitbread managed a rise of 11 to 543p on turnover of 2.1m. Scottish & Newcastle suffered from similar moves, the shares dipping 4 to 523p.

The hot weather showed through to soft drink sales at J.N. Nicols (Vimto) and the shares gained 3 at 233p. Interim profits increased from £3.40m to £3.76m.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Peter John, Joel Kibazo.

■ Other statistics, Page 16

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (48).
BUILDING & CNSTRN (1) Sheriff, BLDG MATLS & MCHTS (1) Sharpe & Fisher, CHEMICALS (1) Allied Colloids, DISTRIBUTORS (1) Wishaw, DIVERSIFIED INDLS (1) BH Prop., ELECTRNC & ELECT EQUIP (2) TGI, Unitech, ENGINEERING (7) Apollo Metals, Bridon, British Steel, Castings, Expamet Intl., Thyssen, UMECO, ENG. VEHICLES (2) GKN, Trinity, EXTRACTIVE INDS (4) Driefontein, Malaysia Mining, Redianam, Willoughby's, HOUSEHOLD GOODS (1) Waterford Wedgwood, INVESTMENT TRUSTS (3) INVESTMENT COMPANIES (2) Crys, World Trust Wts., MEDIA (2) Bloomsbury, Metal Bulletin, OIL EXPLORATION & PROD (1) Crossroads, OIL, INTEGRATED (2) Occidental, Woodside, OTHER SERVS & BUSNS (1) Golden Hope, PHARMACEUTICALS (1) Brit Biotech Wts., PRTNG, PAPER & PACKG (2) Enso-Gutzeit, Kymmene, PROPERTY (1) Argent, RETAILERS, FOOD (1) Greggs, RETAILERS, GENERAL (1) World of Leather, SUPPORT SERVS (3) Admiral, Business Post, Division, TELECOMMUNICATIONS (1) Securicor, TEXTILES & APPAREL (1) Bridport-Gundry, TRANSPORT (3) Applied Distribution, GRT Bus, TNT, AMERICANS (1) Nova Corp. of Alberta, CANADIANS (1) Gulf Canada.

NEW LOWS (25).
BUILDING & CNSTRN (1) Galliford, BLDG MATLS & MCHTS (1) Albrighton, ENGINEERING (3) Beckenham, Neotronics Techology, Richards, HEALTH CARE (3) Eyecare Products, Kynoch, Nestor-BNA, HOUSEHOLD GOODS (1) Le Creuset, INVESTMENT TRUSTS (3) OTHER FINANCIAL (2) London Forfaiting, Union, PHARMACEUTICALS (1) Chiroscience, PRTNG, PAPER & PACKG (3) API, British Thornton, Sidlaw, PROPERTY (4) Badowa, Development Securities, INOCO, Moorfield, RETAILERS, GENERAL (2) Beattie (J) A, Upton & Southern, SUPPORT SERVS (1) JBA.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures recovered in late trading to finish on a firm note after following bonds lower amid uncertainty over the outlook for US interest rates, *writes Joel Kibazo.*

The first trade in the September futures contract on the FT-SE 100 was struck at 3,175 but was quickly followed by active selling as dealers followed the movements in the bond markets.

The contract fell to a day's low of 3,155 in the late morning before steadying over the lunchtime period as a recovery began in other markets.

In the second half of the session, a firm opening on Wall Street and a strengthening US dollar which was reacting to comments by Mr Alan Greenspan, chairman of the Federal Reserve, attracted buyers back to September and it continued to claw back some of the earlier loss. It ended at 3,174, unchanged on the day but at an 8-point premium to cash. Turnover reached 9,384 lots.

Volume in the traded options was heavy, at 52,555 contracts, as the August stock options expired. Lasmo, a subject of expiry, led the way among the stock options as some 8,599 lots were dealt, with the August 154 calls the busiest series. It was followed by Tesco at 3,148 contracts and Hanson at 2,986, both with series that ceased trading yesterday. The FT-SE 100 option traded 15,941 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

■ FT-SE 100 INDEX OPTION (LIFFE) (*3167) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
ASDA Group†	13,000	61	
Abbey National†	1,700	402	+4
Albert Fisher	8,600	50	
Allied-Lyons†	1,600	583	-4
Anglian Water	649	539	-8
Argos	512	371	-1½
Argyll Group†	2,100	280	
Arjo Wiggins†	160	290	
Assoc. Brit. Foods†	143	582	+2
Assoc. Brit. Ports	670	280	
BAA†	1,100	495	+2
BAT Inds.†	7,000	423½	-1½
BET	685	118½	
BICC	1,800	418	+5
BOC†	840	745	-1
BP†	10,000	411	+2½
BPB Inds.	1,400	337	-5
BT†	3,200	380	
BT (P/Paid)	2,800	260½	-½
BTR†	2,700	387	
Bank of Scotland†	2,700	186	+1
Barclays†	6,300	563	-6
Bass†	1,300	563	-7
Blue Circle†	2,200	321	

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr	Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Allied-Lyons	589	31	-	-	19½	-	-	Hanson	260	8	17	22	1	10½	15
(*583)	638	11½	-	-	51½	-	-	(*267)	280	1	8½	12	15	22	26½

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	20	31	19
Other Fixed Interest	0	2	13
Mineral Extraction	42	72	86
General Manufacturers	135	133	378
Consumer Goods	42	31	114

TRADITIONAL OPTIONS

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

FT - SE Actuaries Share Indices — The UK Series

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

FT GOLD MINES INDEX

FINANCIAL TIMES EQUITY INDICES

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22⅝	+⅛	£25⅝	£20⅛	6,715	5.0	φ
ANZ A$		201	+2½	278¼	179¼	2,675	4.8	29.9
Abbey National	†N□	402	+4	523	381	5,274	4.9	13.3
Allied Irish IE	‡†N□	264	-4	314	234	1,873	5.1	9.8
Anglo Irish IE	M□	57	—	*70	50	166.2	7.6	10.4
Asahi Y		763¼	-13	819¼	628	17,724	0.6	φ
Banco Bil Viz Pta		£18⅞	—	£18⅞	£14⅓	3,606	5.6	6.7
Banco Sant Pta		£29¼	—	*£30⅛	£23¼	4,345	5.0	10.0
Bk Ireland IE	A□	272	-6	*319	246	1,285	4.8	7.9
Bank Scotland	♣A□	186	+1	247	172½	2,170	3.4	15.2
9¼pc Pf		114¼	—	141½	114	114.8	10.1	-
9¾pc Pf		120	—	148½	119¼	120.0	10.2	-
Barclays	♣†N□	503	-5	640	487	9,166	3.8	17.1
Dai Ichi Kan Y		£12⅜	+⅛	£12⅞	£10⅝	37,749	0.5	-
Deutsche DM		£302⅞	+1⅛	£344¼	£270⅝	14,423	2.2	-
Espirito Santo		£10⅞xr	+⅜	*£13⅜	£8⅞	218.7	3.8	5.0
First Nat Fin	N□	66xd	—	*90	60	111.4	2.8	-
6.3pc Cv Pf		77	—	*90	77	8.18	10.2	-
7pc Cv Pf		125½	—	171	123	69.8	7.0	-
Fuji Bank Y		1490½	-3¼	1649¼	1152½	43,180	0.4	φ
HSBC HK	N□	784	-14	1133	680	13,895	3.7	11.5
HSBC (75p Shs)	N□	778	-16½	1113	660	6,613	3.8	11.3
Lloyds	†N□	555xd	+6	660	519	7,161	5.2	10.9
Mitsubishi Y		£16⅛	-⅛	£18⅞	£15⅝	49,052	0.3	φ
Mits Tst & Bk Y		1020½	-2	1162¼	867½	12,228	0.5	16.0
Mitsui Tst & Bk Y		828¼	+28½	878	514	9,900	0.7	27.5
Nat Aust A$	†	541	+12½	620¼	489¼	7,241	5.2	11.2
NatWest	†N□	457xd	-2	622	421	7,604	5.3	10.4
Ottomane FFr		£23½	—	£30	£23½	117.5	6.2	φ
Ryl Bk Scotland	♣†N□	393	—	528	377½	3,144	3.8	17.8
Sakura Y		£8⅜	+⅛	£9⅞	£8⅛	29,987	0.6	55.3
Sanwa Y		£14	-⅛	£15⅝	£11⅞	40,882	0.4	φ
Standard Chartd	†N□	259	-16	*359¼	223	2,469	3.1	11.3
7 3/8pc Prf		91⅞	-⅛	108½	89¼	91.8	10.0	-
Sumitomo Y		£12⅞	+⅛	£16⅝	£11½	49,717	0.4	27.3
Sumitomo Tst Y		949¼	+9¼	1148½	625	11,615	0.5	φ
TSB	†N□	212	-3	291	197	3,246	4.8	10.5
Tokai Y		88⅞	-⅛	99	65⅞	17,337	0.7	52.8

BREWERIES

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BUILDING & CONSTRUCTION

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BUILDING MATS. & MERCHANTS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

CHEMICALS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

DISTRIBUTORS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

DIVERSIFIED INDUSTRIALS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ELECTRICITY

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ELECTRONIC & ELECTRICAL EQPT

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ELECTRONIC & ELECTRICAL EQPT - Cont.

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
Trinity	N□	322	+12	[illegible]				
UPF	W□	150	—	[illegible]				
Volkswagen DM		£272⅞	+2⅛	[illegible]				
Volvo B SKr		£12⅞	-⅛	[illegible]				

ENGINEERING

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ENGINEERING, VEHICLES

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

EXTRACTIVE INDUSTRIES

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

FOOD MANUFACTURERS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

GAS DISTRIBUTION

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

HEALTH CARE

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

HEALTH CARE - Cont.

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

HOUSEHOLD GOODS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

INSURANCE

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

INVESTMENT TRUSTS

	Notes	Price	+ or -	1994 High	1994 low	Yld Gr's	NAV	Dis or Prm(-)
[illegible]								

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1994 High	1994 low	Yld Gr's	NAV	Dis or Prm(-)
[illegible]								

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1994 high	low	Yld Gr's	NAV	Dis or Pm(-)
Pilot Inv	N□	136	—	153	125½	1.4	134.4	-1.2
Warrants	□	65	—	89	44	–	–	–
Plvar Euro Smlr	□	98	—	95	91	–	93.3	-2.8
Warrants	□	36	—	36	33	–	–	–
Primadona		290	—	291	261	1.9	309.7	6.4
Perseigen Intl	♣N□	238	—	*276	206	1.8	253.3	6.0
Warrants		80	—	140	78	–	–	–
RIT Capital	♣N□	181	—	189	164½	1.8	222.3	18.6
2½pc Cv Ln 2000		£180½	—	£186½	£170½	1.4	–	–
Radiotrust	□	80	—	88	70	–	74.3	-7.1
Rights & Iss Inc	KN	155xd	—	164	153	7.3	–	–
Cap	N	595	—	595	440	2.2	534.5	5.5
Riv & Merc Am Inc	N	108	-1	121	106	9.2	–	–
Cap	□	32½	—	38	30	–	42.0	22.6
Warrants		14	—	17	13	–	–	–
Riv & Mer Ext	N□	120xd	—	147	113	7.7	113.8	-9.7
Warrants		29	—	49	26	–	–	–
Zero Div Pf		110½	—	119½	110	–	–	–
Riv & Mer Geared	N	100	—	118	90	9.4	–	–
Prtd Cap 1999		25½	—	35	23	–	35.3	24.9
Riv & Merc Smlr	N□	130	—	170	118	3.8	138.6	6.2
Warrants		45	—	77	32	–	–	–
Riv & Merc Tst Inc	N□	116	—	127	114	10.1	–	–
Cap	□	138	—	158	118	–	198.0	30.3
Warrants		31	-1	40	30	–	–	–
Db. Stpd Prf	N	151	-½	165	149½	4.8	–	–
River Plate Inc	N□	109	—	119	108	10.2	–	–
Cap	□	90	—	118	80	–	139.7	35.6
Warrants		4	—	11	4	–	–	–
Zero Div Pf		65	—	88	63¾	–	–	–
St Andrew	KN	318	+1	343	280	2.1	332.4	4.3
St David's Inc	KN	140xd	—	142	124	13.4	–	–
Cap		180	—	223	169	–	280.3	35.8
Zero Prf		145½	+½	151½	142½	–	–	–
Saracen Value	□	94	-1	99	81	–	97.3	3.4

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£27	—	£27½	£13½	1,780	2.7	19.7
Barlow	Z	24⅝	—	25⅝	£3⅝	933.6	0.7	–
Gold Flds Prop R		112	—	113	78	11.5	8.3	ϕ
NK Props	s	85	—	95	85	3.42	10.5	34.9
SASOL	♥	394	—	403	280	2,239	3.6	–
SA Brews		£12⅝	—	£15⅞	£10	3,463	2.2	20.4
Tiger Oats	†	613	—	636	538	921.8	2.8	12.9
Tongaat-Hulett		661	—	*739¼	427½	517.2	2.3	19.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Figures based on IIMR 'Headline Earnings'. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd - Contd.

Waverley Unit Tst Mngmt Ltd (1000)F

13 Charlotte Sq, Edinburgh 031-225 1551

Whittingdale Unit Tst Mgmt Ltd (0830)F

2 Honey Lane, London EC2V 8BT 071-600 0492

Woolwich Unit Trust Managers Ltd (1700)H

2 White Oak Square, Swanley BR8 7AG 081-298 4000

Stockmarket Fd 5 79.04 79.10 84.14 +0.05 1.84

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Int'l Expt Aug 3 791.5 817.3 — 0.93

Baring Investment Mngmt Ltd

155 Bishopsgate, London EC2M 3XY

071-214 1000 (general enquiries) 071-214 1006 (dealing)

Charitable Funds

CAF – Charity Money Management

CIM Unit Trust Managers Ltd

Abbey National Life Plc

301 St Vincent Street, Glasgow 041 305 6000

Acuma Life Assurance Ltd

42 Southwark Bridge Road, London SE1 9HE 071 960 3433

AEGON Life Assurance Co (UK) Ltd

AEGON Hse, Lanark Sq, London E14 9QS 071-538 8600

Clerical Medical/Fidelity Investments

Friends Provident - Contd.

Lancashire & Yorkshire Assce Society

MGM Assurance (c)

Norwich Union Life Insurance Soc. - Contd.

Prudential Individual Pension Funds

INSURANCES

AIG Life

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	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Mutual Assurance plc - Contd.				
North American Fund	230.9	243.1	+1.00	-
International Fund	291.8	307.2	+1.20	-
Gilts & Fxd Int Fund	191.3	201.4	[illegible]	-
Index-Linked Fund	173.9	183.1	+0.30	-
Property Fund	132.7	139.7	—	-
Cash Fund	172.9	182.0		-
Pens Safety Fnd	274.4	288.8	+0.30	-
Pens Growth Fnd	248.0	261.1	+0.30	-
Pens Opportunity Fnd	249.2	262.4	+0.2	-
Pens W'wide Venture Fnd	198.5	208.9	+0.60	-
Pens UK Equity Fnd	243.3	256.2	+0.30	-
Pens UK Smlr Co's Fnd	205.1	215.9	+0.10	-
Pens European Fnd	328.7	346.1	-0.30	-
Pens Far East Fnd	431.6	454.4	+0.80	-
Pens Japanese Fnd	147.7	155.5	-0.1	-
Pens Nth American Fnd	292.8	308.3	+1.20	-
Pens International Fnd	304.0	320.1	+1.20	-
Pens Gilts/Fxd Int Fnd	229.4	241.5	+0.10	-
Pens Index-linked Fnd	179.8	189.3	-0.20	-
Pens Property Fnd	147.8	155.7	—	-
Pens Cash Fund	214.7	226.1	—	-
Pens Halifax Fnd	230.7	242.9	+0.10	-
Scottish Provident Group				
6 St Andrew Sq, Edinburgh			031-558 2652	
Scottish Provident Institution Funds				
Life Funds				
With-Profits	112.9	118.9	+0.1	-
Managed	268.8	282.8	+0.2	-
Blue Chip	143.9	151.6	-0.2	-
Equity	278.6	293.3	-0.4	-
International	294.3	309.9	-0.4	-
Property	234.1	246.5	—	-
Fixed Interest	209.1	220.2	-0.4	-
Index-Linked	172.3	181.5	-0.5	-
Cash	185.2	195.1	—	-
Money Market	122.0	128.5	—	-
American Performance	163.5	172.2	+0.5	-
Europe Performance	132.4	139.5	-0.9	-
Far East Performance	139.8	147.3	+0.5	-
Worldwide Performance	153.7	161.9	+0.7	-
Pension Funds				
With-Profits Ord	213.7	225.0	+0.1	-
Managed Ord	339.4	354.2	+0.3	-
Blue Chip Ord	152.1	160.2	-0.2	-
Equity Ord	353.9	372.6	-0.7	-
International Ord	367.6	387.0	-0.9	-
Property Ord	300.0	315.9	—	-
Fixed Interest Ord	293.8	309.3	-0.5	-
Index-linked Ord	190.7	200.2	-0.5	-
Cash Ord	260.0	273.8	—	-
Building Society Ord	197.0	207.5	—	-
American Performance Ord	190.8	200.9	+0.5	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Sun Alliance Group - Contd.				
Property Growth Pension Funds				
Managed (Acc)		1169.4	-2.1	-
Managed (Cap)		621.2	-1.2	-
Building Society (Acc)		857.7	+0.2	-
Building Society (Cap)		464.7	+0.1	-
Conv Bldng Soc (Acc)		902.3	+0.1	-
Conv Bldng Soc (Cap)		491.2		-
Equity (Acc)		976.1	-2.0	-
Equity (Cap)		584.5	-1.8	-
Gilt Edged (Acc)		401.6	-1.3	-
Gilt Edged (Cap)		276.7	-1.1	-
International (Acc)		399.6	-0.3	-
International (Cap)		284.3	-0.2	-
Property (Acc)		726.7	+0.2	-
Property (Cap)		378.0		-
Pension Fund Units		610.1	+0.1	-
Immediate Annuity		329.0	—	-
Retirement Annuity		1236.6	—	-
Sun Life Unit Assurance Ltd				
St James Barton, Bristol BS99 7SL			0272 426911	
Managed Acc	911.2	959.2	-0.4	-
Property Acc	341.8	359.8	-0.4	-
Equity Acc	1456.8	1533.5	-0.1	-
Fixed Interest Acc	378.5	398.9	-0.2	-
Cash Acc	306.4	322.6	+0.1	-
International Acc	616.6	649.3	-1.2	-
Distribution	279.1	293.8	-0.3	5.36
American Equity Acc	349.0	368.4	+0.9	-
Far Eastern Acc	897.9	945.2	-0.8	-
Index-Linked Acc	191.3	201.4	+0.1	-
Japan Acc	336.3	354.2	+1.0	-
Pacific Acc	381.8	401.9	-0.6	-
European	203.5	214.3	-0.8	-
Anniversary Bond	153.0		+0.2	-
Debt Distribution	163.2	171.8	-0.3	-
Sun Life Pensions Management Ltd				
Funds for individual pension contracts				
Pens. Managed Acc	1184.0	1246.4	-0.4	-
Pens. Property Acc	343.0	361.1	-0.1	-
Pens. Equity Acc	1850.3	1947.7	-0.1	-
Pens. F. Interest Acc	470.5	495.0	-0.3	-
Pens. Cash Acc	414.8	436.6	—	-
Pens. Internat. Acc	725.0	763.2	-1.3	-
Pens. Amer. Equity Acc	349.0	367.3	+0.9	-
Pens. Far Eastern Acc	1520.0	1600.0	-1.7	-
Pens. Ind. Lnkd. Acc	218.9	230.4		-
Pens. Japan Acc	381.1	401.2	+1.0	-
Pens. Pacific Acc	546.8	575.6	-1.2	-
Pens. Euro. Acc	228.7	240.8	-1.1	-
Pens. Bldg Soc	177.4	186.8	—	-
Pens. Retirement Dist	146.1	153.8	-0.3	-
Swiss Life (UK) PLC				
101 London Rd, Sevenoaks			0732 450161	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Scottish Widows' Group

Standard Life Assurance Company

Sun Alliance Group

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Century Life International Ltd

Isle of Man Assurance Ltd

Royal Life International

Sun Alliance International Life

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

Abtrust Fund Mngrs Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

JERSEY

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)

Israel Selection Fund

Lloyds Bank Luxembourg (u)

"WINTERTHUR" Fund Mngmt Co (Lux) SA

World Bond Fund-SICAV (z)

World Trust Fund

Yamaichi Advanced Technology Fund

Yamaichi 1992 OMNI Fund SICAV (u)

OTHER OFFSHORE FUNDS

Ermitage Group

Jardine Fleming Unit Trusts Ltd - Contd.

Johnson Fry Securities Ltd

Jupiter Tyndall (Bermuda) Ltd

Kestrel

Putnam Embassy Funds Ltd

Putnam International Advisers Ltd

Quantum Group

MANAGED FUNDS NOTES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Political woes hit lira

The ongoing woes of the Berlusconi government yesterday prompted further weakness in the Italian lira, *writes Philip Gawith.*

The dispute about a series of government advertisements on TV reminded markets of the political risks in Italy, and drove the currency lower to a London close of L1,008 against the D-Mark from L1,001.

The lira's weakness came against a general background of D-Mark strength. Most currencies, however, traded in fairly narrow ranges and volumes were low as the market lethargy of the past few days persisted.

The dollar was slightly weaker ahead of the US Treasury's 10-year note auction following the disappointing three-year auction on Tuesday. The US currency closed at DM1.5745 from DM1.582 and Y101.155 from Y101.2.

Sterling lost nearly a pfennig against the stronger D-Mark to close at DM2.4253 from DM2.4349. It was slightly firmer against the dollar at $1.5404 compared to $1.5392. The trade-weighted sterling index closed at 79.3 from 79.4.

■ The background to the relative strength of the D-Mark is a spate of firmer growth figures recently which have led some observers to conclude that the German interest rate cycle is nearer to the bottom than originally thought.

Mr Tim Stewart, currency strategist at Morgan Stanley in London, said some of the weakness in the peseta, lira and Swedish krona could be attributed to market concerns "whether the rest of Europe is going to be able to keep pace on the upside as they did on the downside."

Economists at S.G.Warburg note in their latest currency brief that political resistance, or the need to maintain lower borrowing costs in the face of escalating government debt, could inhibit interest rate increases in countries (like Spain and France).

"For many countries, Bundesbank tightening will come too early in the business cycle and in a situation where real rates are already very high. It will therefore be tempting to tolerate a weaker currency against the D-Mark..."

Economists disagree whether a turning point has yet been reached with German interest rates. S.G. Warburg argues that "the Bundesbank clearly lacks economic justification for a further monetary relaxation now," but economists at Nikko Europe in London believe that there will be a final discount rate cut during September to 4 per cent.

■ There was no fresh evidence to account for the lira's renewed weakness. Mr Stewart attributed it to a dawning realisation of the "fractured" nature of Italian politics.

"The market has now woken up and a lot of longer term holders of Italian assets, who bought the political revolution story, are now having their faith tested. The risk still is they are not going to get the job done," he said.

Mr Stewart contrasted the situation of countries like Italy and Sweden, where the currencies were weak, and governments faced considerable problems, with New Zealand, where the Kiwi dollar has been under pressure on fears that the government might lose its parliamentary majority if it loses Saturday's important Selwyn by-election.

Whether the government loses or not, Mr Stewart noted: "There really isn't a big job on the table to be done. They have done the hard work. Now it is just a question of managing at the margins."

Yesterday the currency slipped further to close in London at $0.5978 from $0.6007 on reports of an opinion poll which showed the ruling National Party to be trailing the opposition Alliance.

■ The dollar had little news to trade on, save for the appearance before Congress of Mr Alan Greenspan, the Fed chairman, to discuss monetary aggregates. The dollar gained more than half a pfennig on his comments that it was crucially important for the currency to be strong and viable.

The market's main focus remains on whether or not the Federal Open Markets Committee will raise interest rates when it meets next week. The tenor of recent comments from Fed officials have hinted as much, but a lot will depend on the retail sales and inflation data due today and tomorrow.

■ Activity in the interest rate futures markets was again very subdued. The December short sterling contract traded 15,455 lots to finish at 93.43 from 93.44. The December Euromark contract traded 18,181 lots to close at 94.96 from 94.95.

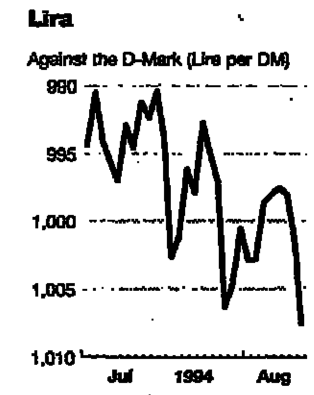
In the cash markets, UK rates were unchanged with three month sterling LIBOR closing at 5 9/16 per cent.

In its daily operations, the Bank of England provided UK money markets with £200m assistance at established rates after forecasting a £300m shortage. Overnight money traded between 3 per cent and 5¼ per cent.

In Germany, call money rates eased to 5/5.1 per cent from Tuesday after the Bundesbank allocated DM2.3bn in its weekly repo tender. The market had been hoping for a more generous allocation and rates firmed from 4.94/5.05 per cent before the tender.

Lira

Against the D-Mark (Lira per DM)



Source: FT Graphite

■ **Pound in New York**

Aug 10	—Latest—	– Prev. close –
£ spot	1.5396	1.5390
1 mth	1.5388	1.5382
3 mth	1.5372	1.5366
1 yr	1.5284	1.5282

■ **OTHER CURRENCIES**

Aug 10	£	$
Hungary	166.119 - 165.349	107.870 - 107.970
Iran	2686.00 - 2689.00	1748.00 - 1750.00
Kuwait	0.4594 - 0.4604	0.2983 - 0.2986
Poland	35096.6 - 35158.7	22790.0 - 22820.0
Russia	3211.73 - 3216.36	2085.00 - 2088.00
U.A.E.	5.6499 - 5.6614	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0771	-0.0468	694 - 848	17.1294	17.0509	17.0726	0.3	17.0609	0.4	-	-	115.2
Belgium	(BFr)	49.9844	-0.1611	422 - 265	50.2040	49.8880	49.9844	0.0	50.0094	-0.2	49.6594	0.7	116.6
Denmark	(DKr)	9.5674	-0.0254	637 - 711	9.5872	9.5603	9.5719	-0.6	9.5815	-0.6	9.6344	-0.7	116.6
Finland	(FM)	7.9853	-0.0211	749 - 958	8.0290	7.9740	-	-	-	-	-	-	82.9
France	(FFr)	8.3095	-0.0346	066 - 121	8.3412	8.2998	8.3124	-0.4	8.3107	-0.1	8.2709	0.5	110.0
Germany	(DM)	2.4253	-0.0096	240 - 266	2.4348	2.4222	2.4253	0.0	2.4224	0.5	2.396	1.2	126.0
Greece	(Dr)	366.604	-1.099	443 - 764	367.908	365.755	-	-	-	-	-	-	-
Ireland	(I£)	1.0114	+0.0016	106 - 122	1.0128	1.0069	1.0115	-0.1	1.0116	-0.1	1.012	-0.1	104.7
Italy	(L)	2443.77	+5.37	244 - 509	2445.09	2431.96	2450.57	-3.3	2462.32	-3.0	2507.77	-2.6	76.5
Luxembourg	(LFr)	49.9844	-0.1611	422 - 265	50.2040	49.8880	49.9844	0.0	50.0094	-0.2	49.6594	0.7	116.6
Netherlands	(Fl)	2.7253	-0.0109	243 - 263	2.7353	2.7211	2.7251	0.1	2.7219	0.5	2.6941	1.1	120.4
Norway	(NKr)	10.6098	-0.0368	058 - 137	10.6652	10.6001	10.6068	0.3	10.6173	-0.3	10.6033	0.1	96.5
Portugal	(Es)	246.780	-0.623	646 - 913	247.684	246.396	248.51	-8.4	251.69	-8.0	-	-	-
Spain	(Pta)	199.953	-0.152	830 - 075	200.379	199.622	200.483	-3.1	201.143	-2.4	203.038	-1.5	86.4
Sweden	(SKr)	11.9788	-0.0059	701 - 874	12.0030	11.9504	12.0003	-2.2	12.0506	-2.4	12.2713	-2.4	73.7
Switzerland	(SFr)	2.0428	-0.0109	419 - 439	2.0515	2.0390	2.0414	0.8	2.037	1.2	2.0059	1.8	121.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.3
Ecu	-	1.2704	-0.0043	698 - 709	1.2740	1.2693	1.2712	-0.8	1.2718	-0.4	1.2728	-0.2	-
SDR†	-	0.939421	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5395	+0.0016	391 - 399	1.5399	1.5368	-	-	-	-	-	-	-
Brazil	(R)	1.3740	+0.0103	721 - 758	1.3758	1.3665	-	-	-	-	-	-	-
Canada	(C$)	2.1166	-0.0025	157 - 174	2.1174	2.1108	2.1172	-0.3	2.1176	-0.2	2.1264	-0.5	86.5
Mexico	(New Peso)	5.2187	+0.0033	144 - 230	5.2230	5.2128	-	-	-	-	-	-	-
USA	($)	1.5404	+0.0012	400 - 407	1.5408	1.5377	1.5397	0.5	1.538	0.6	1.5293	0.7	63.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0800	+0.0068	788 - 812	2.0818	2.0727	2.08	0.0	2.0813	-0.3	2.0994	-0.9	-
Hong Kong	(HK$)	11.9000	+0.0091	965 - 034	11.9034	11.8807	11.8961	0.4	11.895	0.2	11.9021	0.0	-
India	(Rs)	48.3228	+0.0396	060 - 395	48.3395	48.2410	-	-	-	-	-	-	-
Japan	(Y)	155.814	+0.052	709 - 919	156.280	155.510	155.424	3.0	154.529	3.3	150.064	3.7	186.9
Malaysia	(M$)	3.9752	+0.0086	735 - 769	3.9769	3.9665	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5767	+0.0142	740 - 794	2.5794	2.5618	2.5806	-1.8	2.5884	-1.8	2.6106	-1.3	-
Philippines	(Peso)	40.4726	-0.007	170 - 286	40.8286	40.1170	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7769	+0.0045	753 - 784	5.7784	5.7671	-	-	-	-	-	-	-
Singapore	(S$)	2.3205	+0.0033	192 - 218	2.3218	2.3164	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5630	+0.004	594 - 665	5.5668	5.5519	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.1473	+0.0672	302 - 643	7.1643	7.0906	-	-	-	-	-	-	-
South Korea	(Won)	1238.98	-0.6	847 - 949	1240.06	1237.08	-	-	-	-	-	-	-
Taiwan	(T$)	40.7669	+0.0444	561 - 777	40.7777	40.6983	-	-	-	-	-	-	-
Thailand	(Bt)	38.6012	+0.0147	770 - 253	38.6970	38.5460	-	-	-	-	-	-	-

†SDR rate for Aug 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.0985	-0.039	840 - 890	11.1130	11.0680	11.0867	0.0	11.0865	0.0	11.0015	0.8	104.2
Belgium	(BFr)	32.4500	-0.13	300 - 700	32.6000	32.3800	32.4655	-0.6	32.49	-0.5	32.525	-0.2	105.7
Denmark	(DKr)	6.2112	-0.0213	102 - 122	6.2280	6.2063	6.2187	-1.4	6.2337	-1.4	6.2787	-1.1	105.0
Finland	(FM)	5.1841	-0.0177	785 - 898	5.2218	5.1793	5.1881	-0.9	5.1961	-0.9	5.2441	-1.2	77.4
France	(FFr)	5.3945	-0.0267	940 - 950	5.4186	5.3880	5.3988	-1.0	5.4043	-0.7	5.3803	0.3	105.9
Germany	(D)	1.5745	-0.0076	740 - 750	1.5815	1.5730	1.5752	-0.5	1.5752	-0.2	1.5668	0.5	106.7
Greece	(Dr)	238.000	-0.9	950 - 050	238.500	237.700	238.39	-2.0	239.175	-2.0	242.5	-1.9	69.4
Ireland	(I£)	1.5230	-0.0014	222 - 238	1.5296	1.5193	1.5219	0.9	1.5197	0.9	1.5087	0.9	-
Italy	(L)	1586.50	+2.25	600 - 700	1587.00	1579.00	1592.05	-4.2	1601.85	-3.9	1643.4	-3.6	76.4
Luxembourg	(LFr)	32.4500	-0.13	300 - 700	32.6000	32.3800	32.4655	-0.6	32.49	-0.5	32.525	-0.2	105.7
Netherlands	(Fl)	1.7693	-0.0084	690 - 695	1.7757	1.7670	1.77	-0.4	1.7683	0.2	1.7635	0.3	105.2
Norway	(NKr)	6.8879	-0.0293	869 - 889	6.9443	6.8830	6.8919	-0.7	6.9009	-0.8	6.8384	0.7	96.4
Portugal	(Es)	160.210	-0.53	160 - 260	160.590	160.000	161.295	-8.1	163.035	-7.1	169.46	-5.8	95.2
Spain	(Pta)	129.810	-0.2	760 - 860	130.260	129.630	130.175	-3.4	130.82	-3.1	132.96	-2.4	81.5
Sweden	(SKr)	7.7767	-0.0099	728 - 805	7.8027	7.7615	7.7947	-2.8	7.8282	-2.6	7.9817	-2.6	79.0
Switzerland	(SFr)	1.3263	-0.0081	259 - 266	1.3331	1.3237	1.3259	0.3	1.3246	0.5	1.3117	1.1	106.1
UK	(£)	1.5404	+0.0012	400 - 407	1.5408	1.5377	1.5397	0.5	1.538	0.6	1.5293	0.7	87.7
Ecu	-	1.2126	+0.0051	123 - 128	1.2134	1.2085	1.2112	1.3	1.2092	1.1	1.2204	-0.6	-
SDR†	-	1.44342	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	+0.0003	994 - 995	0.9995	0.9991	-	-	-	-	-	-	-
Brazil	(R)	0.8920	+0.006	910 - 930	0.8930	0.8880	-	-	-	-	-	-	-
Canada	(C$)	1.3741	-0.0027	738 - 743	1.3755	1.3720	1.3754	-1.1	1.3777	-1.0	1.3972	-1.7	83.2
Mexico	(New Peso)	3.3880	-0.0005	860 - 900	3.3900	3.3860	3.389	-0.4	3.3908	-0.3	3.3982	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3504	+0.0033	499 - 508	1.3521	1.3473	1.3507	-0.2	1.3514	-0.3	1.3587	-0.6	104.2
Hong Kong	(HK$)	7.7255	-0.0001	250 - 260	7.7260	7.7250	7.7253	0.0	7.726	0.0	7.741	-0.2	-
India	(Rs)	31.3713	+0.0013	675 - 750	31.3750	31.3700	31.4563	-3.3	31.6013	-2.9	-	-	-
Japan	(Y)	101.155	-0.045	110 - 200	101.500	100.980	100.955	2.4	100.535	2.5	98.23	2.9	148.0
Malaysia	(M$)	2.5807	+0.0036	802 - 812	2.5820	2.5770	2.5715	4.3	2.5602	3.2	2.6337	-2.1	-
New Zealand	(NZ$)	1.6728	+0.0079	714 - 742	1.6750	1.6644	1.6737	-0.7	1.6756	-0.7	1.6809	-0.5	-
Philippines	(Peso)	26.2750	-0.025	500 - 000	26.6000	26.0500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 505	3.7505	3.7502	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5065	+0.001	060 - 070	1.5070	1.5058	1.5052	1.1	1.5033	0.9	1.4965	0.7	-
S Africa (Com.)	(R)	3.6115	-0.0003	100 - 130	3.6195	3.6085	3.627	-5.2	3.6553	-4.9	3.732	-3.3	-
S Africa (Fin.)	(R)	4.6400	+0.04	300 - 500	4.6500	4.6100	4.6737	-8.7	4.7325	-8.0	-	-	-
South Korea	(Won)	804.350	-0.95	200 - 500	805.800	804.200	807.35	-4.5	810.85	-3.2	829.35	-3.1	-
Taiwan	(T$)	26.4660	+0.0062	650 - 670	26.4730	26.4640	26.486	-0.9	26.526	-0.9	-	-	-
Thailand	(Bt)	25.0600	-0.01	500 - 700	25.0700	25.0500	25.1325	-3.5	25.26	-3.2	25.74	-2.7	-

†SDR rate for Aug 9. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 9. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.14	16.62	4.852	2.023	4890	5.452	21.23	493.6	400.0	23.97	4.088	2.001	4.234	3.081	311.7	2.541
Denmark	(DKr)	52.24	10	8.685	2.535	1.057	2555	2.848	11.09	257.9	208.9	12.52	2.135	1.045	2.212	1.610	162.9	1.327
France	(FFr)	60.15	11.51	10	2.919	1.217	2941	3.280	12.77	296.9	240.6	14.42	2.459	1.204	2.547	1.853	187.5	1.528
Germany	(DM)	20.61	3.945	3.426	1	0.417	1008	1.124	4.376	101.7	82.43	4.940	0.842	0.412	0.873	0.635	64.25	0.524
Ireland	(I£)	49.44	9.463	8.219	2.399	1	2417	2.695	10.49	244.0	197.7	11.85	2.021	0.989	2.093	1.523	154.1	1.256
Italy	(L)	2.045	0.391	0.340	0.099	0.041	100.	0.111	0.434	10.09	8.179	0.490	0.084	0.041	0.087	0.063	6.375	0.052
Netherlands	(Fl)	18.34	3.511	3.049	0.890	0.371	896.9	1	3.894	90.53	73.36	4.396	0.750	0.367	0.777	0.565	57.17	0.466
Norway	(NKr)	47.11	9.017	7.831	2.286	0.953	2303	2.568	10	232.5	188.4	11.29	1.926	0.943	1.994	1.451	146.8	1.197
Portugal	(Es)	20.26	3.878	3.368	0.983	0.410	990.7	1.105	4.301	100.	81.03	4.856	0.828	0.405	0.858	0.624	63.15	0.515
Spain	(Pta)	25.00	4.786	4.157	1.213	0.506	1223	1.363	5.308	123.4	100.	5.993	1.022	0.500	1.059	0.770	77.94	0.635
Sweden	(SKr)	41.72	7.986	6.936	2.024	0.844	2040	2.275	8.856	205.9	166.9	10	1.705	0.835	1.766	1.285	130.1	1.060
Switzerland	(SFr)	24.46	4.683	4.067	1.187	0.495	1196	1.334	5.193	120.8	97.85	5.864	1	0.489	1.036	0.754	76.26	0.622
UK	(£)	49.98	9.567	8.309	2.425	1.011	2444	2.725	10.61	246.7	199.9	11.98	2.043	1	2.116	1.540	155.8	1.270
Canada	(C$)	23.62	4.521	3.927	1.146	0.478	1155	1.288	5.014	116.6	94.47	5.662	0.966	0.473	1	0.728	73.63	0.600
US	($)	32.45	6.212	5.395	1.575	0.656	1587	1.769	6.890	160.2	129.8	7.779	1.327	0.649	1.374	1	101.2	0.825
Japan	(Y)	320.8	61.41	53.33	15.56	6.489	15687	17.49	68.10	1583	1283	76.89	13.11	6.418	13.58	9.884	1000.	8.151
Ecu		39.35	7.533	6.543	1.909	0.796	1924	2.146	8.354	194.3	157.4	9.433	1.609	0.787	1.666	1.213	122.7	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6317	0.6345	+0.0028	0.6365	0.6317	23,852	89,804
Dec	0.6353	0.6348	+0.0024	0.6360	0.6345	466	4,904
Mar	0.6363	0.6363	-0.0030	0.6363	0.6363	7	1,536

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7502	0.7545	+0.0047	0.7558	0.7502	8,951	39,321
Dec	0.7568	0.7562	+0.0048	0.7574	0.7558	91	1,590
Mar	0.7585	0.7585	+0.0045	0.7585	0.7585	2	24

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9901	0.9898	-0.0001	0.9930	0.9881	19,646	66,121
Dec	0.9937	0.9972	-	0.9975	0.9969	531	6,012
Mar	-	1.0046	+0.0021	-	-	5	1,053

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5392	1.5382	+0.0006	1.5402	1.5366	6,345	31,214
Dec	1.5366	1.5370	+0.0032	1.5386	1.5370	14	757
Mar	-	1.5360	-	1.5360	-	1	152

EMS EUROPEAN CURRENCY UNIT RATES

Aug 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15325	-0.00186	-1.98	4.41	-
Germany	1.94964	1.91644	-0.00201	-1.70	4.12	-
Belgium	40.2123	39.4824	-0.0245	-1.82	4.24	13
Ireland	0.808628	0.798860	+0.002713	-1.23	3.62	8
France	6.53883	6.56933	-0.00537	0.47	1.87	-4
Portugal	192.854	194.785	-0.29	1.00	1.33	-7
Denmark	7.43679	7.56225	+0.0057	1.69	0.65	-12
Spain	154.250	157.869	+0.241	2.35	0.00	-18
NON ERM MEMBERS						
Greece	264.513	289.426	-0.301	9.42	-6.46	-
Italy	1793.19	1925.12	+5.48	7.36	-4.67	-
UK	0.786749	0.790468	+0.002247	0.47	1.88	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Aug	Sep	Oct	PUTS Aug	Sep	Oct
1.450	8.81	8.71	8.87	-	-	0.08
1.475	6.31	6.27	6.46	-	0.08	0.30
1.500	3.82	4.03	4.43	-	0.30	0.76
1.525	1.42	2.22	2.76	0.01	0.89	1.58
1.550	0.05	0.97	1.58	1.13	2.13	2.76
1.575	-	0.35	0.80	3.48	3.92	4.46

Previous day's vol., Calls 590,709 Puts 457,219. Prev. day's open int., Calls 13,184 Puts 10,695

WORLD INTEREST RATES

MONEY RATES

August 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅛	5¼	5¾	6⅛	7.40	4.50	-
week ago	4⅞	5⅛	5⅜	5¾	6	7.40	4.50	-
France	5¼	5¼	5⅜	5¾	6⅛	5.00	-	6.75
week ago	5⅛	5¼	5½	5¾	5⅞	5.00	-	6.75
Germany	4.98	4.95	4.95	4.98	5.18	6.00	4.50	4.85
week ago	4.93	4.95	4.95	4.95	5.05	6.00	4.50	4.85
Ireland	5	5⅛	5⅜	6¼	6¾	-	-	6.25
week ago	4⅞	5⅛	5⅝	6¼	6½	-	-	6.25
Italy	8½	8¼	8⅝	9	9¼	-	7.00	8.20
week ago	8¼	8¼	8½	8¾	9⅛	-	7.00	7.95
Netherlands	4.85	4.94	4.90	5.06	5.28	-	5.25	-
week ago	4.85	4.94	4.92	5.01	5.19	-	5.25	-
Switzerland	4	4⅛	4⅛	4½	4¾	6.625	3.50	-
week ago	4⅛	4⅛	4⅛	4¼	4⅜	6.625	3.50	-
US	4⅜	4½	4⅞	5⅛	5¾	-	3.50	-
week ago	4¼	4½	4⅞	5¼	5¾	-	3.50	-
Japan	2¼	2¼	2⅛	2⅜	2⅜	-	1.75	-
week ago	2¼	2¼	2⅛	2¼	2½	-	1.75	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	4⅝	4⅞	5⅛	5⅝	-	-	-
week ago	-	4⅝	4⅞	5⅛	5½	-	-	-
US Dollar CDs	-	4.42	4.73	5.06	5.59	-	-	-
week ago	-	4.42	4.52	4.87	5.41	-	-	-
SDR Linked Ds	-	3⅞	3⅞	3⅞	4	-	-	-
week ago	-	3½	3⅝	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth 5¼; 3 mths 5⅛; 6 mths 6¼; 1 year 6¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	5 - 4⅞	5⅛ - 5	5 7/16 - 5 5/16	5 13/16 - 5 11/16	6⅛ - 6
Danish Krone	5½ - 5¼	5¾ - 5½	6 - 5¾	6⅜ - 6¼	6 11/16 - 6 9/16	7 - 6⅞
D-Mark	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 1/16 - 4 15/16	5¼ - 5⅛
Dutch Guilder	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 1/16 - 4 15/16	5¼ - 5⅛
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5 9/16 - 5 7/16	5¾ - 5⅝	6⅛ - 6
Portuguese Esc.	12⅛ - 11⅞	10⅞ - 10⅝	11½ - 11	11½ - 11¼	11½ - 11¼	11 13/16 - 11⅛
Spanish Peseta	7⅝ - 7¼	7⅝ - 7¼	7¾ - 7⅜	7 13/16 - 7⅝	8⅛ - 8	8⅝ - 8½
Sterling	4 15/16 - 4 13/16	4⅞ - 4¾	5 7/32 - 5 3/32	5 9/16 - 5 7/16	5 15/16 - 5⅞	6 11/16 - 6 9/16
Swiss Franc	4¼ - 3⅞	4¼ - 4	4¼ - 4⅛	4⅜ - 4¼	4½ - 4⅜	4⅝ - 4½
Can. Dollar	5¼ - 5	5⅜ - 5⅛	5½ - 5⅜	5 13/16 - 5 11/16	6 5/16 - 6 3/16	7 1/16 - 7 1/16
US Dollar	4⅜ - 4¼	4⅜ - 4¼	4 9/16 - 4 7/16	4⅞ - 4¾	5 5/16 - 5 3/16	5 13/16 - 5 11/16
Italian Lira	9 - 7½	8½ - 8¼	8 9/16 - 8 7/16	8⅝ - 8½	8 13/16 - 8 11/16	9 5/16 - 9 3/16
Yen	2 5/16 - 2⅛	2½ - 2⅛	2 5/16 - 2⅛	2⅜ - 2¼	2 7/16 - 2⅜	2 13/16 - 2 11/16
Asian $Sing	3⅞ - 3⅝	3⅞ - 3¾	4 7/16 - 4 5/16	4¾ - 4⅝	5 7/16 - 5 5/16	5 15/16 - 5 13/16

Short term rates are call for the US Dollar and Yen, others, two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.32	94.32	-	94.33	94.29	8,728	43,780
Dec	94.02	94.03	+0.02	94.05	93.98	12,574	39,484
Mar	93.73	93.75	+0.01	93.78	93.68	3,488	32,583
Jun	93.47	93.49	+0.01	93.52	93.45	3,621	25,194

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.81	94.83	+0.03	94.82	94.81	60	3188
Dec		94.09	+0.01			0	1993
Mar		93.83	-			0	1449
Jun		93.51	-			0	354

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.05	95.08	+0.01	95.09	95.05	6005	167998
Dec	94.94	94.96	+0.01	94.96	94.93	18212	165662
Mar	94.67	94.68	+0.01	94.70	94.65	12334	156377
Jun	94.33	94.35	+0.01	94.36	94.32	6069	96141

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.09	91.08	-0.05	91.16	91.06	2965	27060
Dec	90.70	90.68	-0.07	90.76	90.68	3651	49020
Mar	90.31	90.25	-0.10	90.36	90.25	1292	13337
Jun	89.88	89.81	-0.06	89.90	89.80	571	12229

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.57	95.58	-	95.60	95.57	1172	25992
Dec	95.41	95.44	-0.02	95.46	95.41	1038	11896
Mar	95.23	95.23	-0.01	95.25	95.20	408	11060
Jun	94.93	94.91	-0.01	94.93	94.90	219	4362

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.92	93.91	-0.01	93.93	93.91	435	10807
Dec	93.68	93.68	-	93.70	93.66	131	9054
Mar	93.40	93.40	-	93.42	93.39	171	4409
Jun	93.10	93.10	-	93.10	93.10	5	1195

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.81	94.82	+0.01	94.83	94.80	61,918	423,049
Dec	94.09	94.09	-	94.11	94.08	98,772	463,084
Mar	93.84	93.84	+0.01	93.85	93.82	50,392	325,400

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.23	95.25	+0.01	95.25	95.23	1,547	18,037
Dec	94.65	94.65	-	94.65	94.64	538	9,281
Mar	-	94.36	-0.03	-	-	154	3,313

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	Sep	Oct	Dec	PUTS Aug	Sep	Oct	Dec
9500	0.09	0.13	0.11	0.17	0.01	0.05	0.15	0.21
9525	0	0.03	0.03	0.07	0.17	0.20	0.32	0.36
9550	0	0	0.01	0.03	0.42	0.42	0.55	0.57

Est. vol. total, Calls 862 Puts 1968. Previous day's open int., Calls 248251 Puts 166283

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9550	0.12	0.16	0.20	0.04	0.22	0.47
9575	0.03	0.07	0.12	0.20	0.38	0.64
9600	0.02	0.04	0.08	0.44	0.60	0.83

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1505 Puts 1515

UK INTEREST RATES

LONDON MONEY RATES

Aug 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅛ - 3	5 - 4¾	5⅛ - 5	5 9/16 - 5 7/16	6 - 5⅞	6¾ - 6⅝
Sterling CDs	-	-	5 1/16 - 5	5½ - 5⅜	5⅞ - 5 13/16	6 9/16 - 6 7/16
Treasury Bills	-	-	5 - 4 15/16	5 7/16 - 5 5/16	-	-
Bank Bills	-	-	5 1/32 - 4 31/32	5½ - 5⅜	5 13/16 - 5 11/16	-
Local authority deps.	4 13/16 - 4 11/16	4 15/16 - 4 13/16	5 1/16 - 5	5½ - 5⅜	5 13/16 - 5 13/16	6 9/16 - 6 7/16
Discount Market deps	5 - 4¼	4⅞ - 4 13/16	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ¼pc.
Ave. tender rate of discount 5.3747pc. ECGD fixed rate Stg. Export Finance. Make up day July 29, 1994. Agreed rate for period Aug 24, 1994 to Sep 26, 1994, Schemes II & III 6.50pc. Reference rate for period July 1, 1994 to July 29, 1994, Schemes IV & V 5.2460pc. Finance House Base Rate 5½pc from Aug 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.19	94.20	-	94.20	94.16	12090	98341
Dec	93.43	93.43	-0.01	93.44	93.37	15495	172125
Mar	92.80	92.84	-	92.86	92.76	5100	65411
Jun	92.35	92.36	-0.02	92.37	92.28	2948	50861

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9400	0.27	0.06	0.06	0.07	0.65	1.22
9425	0.11	0.03	0.03	0.16	0.85	1.44
9450	0.03	0.01	0.02	0.33	1.08	1.68

Est. vol. total, Calls 5305 Puts 5943. Previous day's open int., Calls 311713 Puts 242735

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 10 / Sch)

BELGIUM/LUXEMBOURG (Aug 10 / Frs.)

DENMARK (Aug 10 / Kr)

FINLAND (Aug 10 / Mks)

FRANCE (Aug 10 / Frs.)

GERMANY (Aug 10 / Dm.)

ITALY (Aug 10 / Lire)

NETHERLANDS (Aug 10 / Fls.)

NORWAY (Aug 10 / Kroner)

SPAIN (Aug 10 / Pts.)

SWEDEN (Aug 10 / Kronor)

SWITZERLAND (Aug 10 / Frs.)

PACIFIC

JAPAN (Aug 10 / Yen)

HONG KONG (Aug 10 / H.K.$)

MALAYSIA (Aug 10 / MYR)

SINGAPORE (Aug 10 / S$)

AUSTRALIA (Aug 10 / Aus$)

NORTH AMERICA

CANADA

TORONTO (Aug 10 / Can $)
4 pm close

MONTREAL (Aug 10 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Aug 10 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, August 10, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	10.3m	370	+2	Mitsubishi Kasei	4.2m	547	+12
NKK	5.4m	285	+4	Sumitomo Cement	3.5m	561	+8
Mitsubishi Hvy	5.3m	810	+4	Sanyo Elec	3.5m	583	+7
Sumitomo Chemical	5.2m	554	+10	Maruha Corp	3.3m	452	+26
Showa Denko	5.0m	372	+5	Kawasaki Steel	3.1m	418	+3

INDICES

	Aug 10	Aug 9	Aug 8	1994 High		1994 Low	
Argentina General (29/12/77)	(u)	19681.16	19961.36	25470.40	16/2	17758.90	20/4
Australia All Ordinaries(1/1/80)	2076.5	2086.8	2061.1	2340.60	3/2	1957.40	27/5
All Mining(1/1/80)	1015.4	1023.4	1017.9	1138.10	3/2	904.60	5/5
Austria Credit Aktien(30/12/84)	419.25	418.79	422.98	480.66	2/2	398.97	22/6
Traded Index(2/1/91)	1115.39	1112.55	1124.76	1222.26	1/2	1011.38	6/6
Belgium BEL20 (1/1/91)	1469.58	1474.40†	1485.84	1542.85	9/2	1393.96	13/7
Brazil Bovespa (29/12/83)	(u)	45583.0	45809.0	45809.00	8/8	3800.90	3/1
Canada Metals Minls♦(1975)	(u)	3902.51	3892.36	3985.31	3/8	3298.08	20/4
Composite♦ (1975)	(u)	4186.82	4175.36	4609.90	23/3	3959.90	24/6
Portfolio§§ (4/1/83)	(u)	1981.20	1970.81	2182.88	1/2	1093.17	20/7
Chile IPGA Gen (31/12/80)	(u)	4440.5	4437.9	4867.88	4/2	3901.20	4/4
Denmark CopenhagenSE(3/1/83)	373.90	378.42	378.05	415.79	2/2	358.86	22/6
Finland HEX General(28/12/90)	1876.1	1869.3	1867.2	1972.90	4/2	1601.10	3/1
France SBF 250 (31/12/90)	1378.65	1385.45	1401.36	1585.20	2/2	1265.36	4/7
CAC 40(31/12/87)	2064.17	2074.48	2106.34	2355.93	2/2	1968.18	4/7
Germany FAZ Aktien(31/12/58)	816.30	821.23	826.13	859.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2317.40	2307.6	2346.7	2485.50	2/5	2149.30	27/6
DAX (30/12/87)‡	2160.37	2164.20	2184.96	2271.11	16/5	1968.82	20/6
Greece Athens SE(31/12/80)	888.07	897.10	904.83	1194.88	18/1	806.67	25/5
Hong Kong Hang Seng(31/7/64)	9618.08	9446.43	9537.87	12201.09	4/1	8369.44	4/5
India BSE Sens.(1979)	4365.0	4319.0	4297.3	4365.00	10/8	3454.00	5/1
Indonesia Jakarta Comp.(10/8/83)	471.68	469.92	472.41	612.89	5/1	446.72	13/7
Ireland ISEQ Overall(4/1/88)	1862.41	1861.02	1865.29	2082.16	20/1	1694.14	1/7
Italy Banca Comm Ital (1972)	674.52	689.33	695.75	817.17	10/5	588.85	10/1
MIB General (4/1/94)	1090.0	1114.0	1124.0	1318.00	10/5	944.80	10/1
Japan Nikkei 225 (16/5/49)	20770.25	20590.22	20635.83	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	302.15	301.01	300.94	311.71	13/6	268.22	4/1
Topix (4/1/68)	1661.50	1656.15	1656.78	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2467.20	2470.54	2476.51	2542.85	6/7	1873.93	4/1
Malaysia KLSE Comp.(4/4/86)	1092.80	1073.59	1075.34	1314.46	5/1	928.33	4/4
Mexico IPC (Nov 1978)	(u)	2594.86	2603.93	2881.17	8/2	1957.33	20/4
Netherland CBS TtlRtnGen(End 83)	438.3	438.4	442.9	454.90	31/1	406.30	21/6
CBS All Shr (End 83)	278.2	278.2	281.1	294.89	31/1	257.90	21/6
New Zealand Cap. 40 (1/7/86)	2088.10	2076.23	2108.62	2439.64	3/2	1945.51	11/7
Norway Oslo SE(Ind)(2/1/83)	1125.05	1136.62	1141.07	1211.19	28/2	988.91	21/6
Philippines Manila Comp (2/1/85)	2944.19	2882.37	2884.03	3308.37	4/1	2307.38	9/3
Portugal BTA (1977)	2896.4	2902.7	2928.9	3226.60	18/2	2632.90	20/6
Singapore SES All-S'pore(2/4/75)	568.30	(c)	563.80	641.61	4/1	523.29	4/4
South Africa JSE Gold (28/9/78)	2222.0♥	2157.0	2103.0	2331.08	4/1	1749.00	14/2
JSE Indl. (28/9/78)	6694.0♥	6655.0	6578.0	6767.00	15/6	5448.00	19/1
South Korea KoreaCmpEx(4/1/80)**	930.21	917.50	919.76	974.26	2/2	855.37	2/4
Spain Madrid SE (30/12/85)	321.06	330.98	323.48	358.31	31/1	291.43	6/7
Sweden AffarsvarldnGen (1/2/37)	1488.8	1485.90	1493.00	1603.90	31/1	1334.70	6/7
Switzerland Swiss Bk Ind (31/12/58)	1236.75	1232.13	1245.04	1423.34	31/1	1157.97	18/7
SBC General (1/4/87)	925.08	923.08	933.20	1083.29	31/1	888.18	13/7
Taiwan WeightedPr.(30/6/66)**	6838.01	6944.91	(c)	6944.91	9/8	5194.63	19/3
Thailand Bangkok SET (30/4/75)	1407.32	1406.33	1414.04	1783.73	4/1	1198.58	4/4
Turkey Istanbul Cmp.(Jan 1986)	23854.5	22704.8	22327.0	28883.80	13/1	12980.70	24/3
WORLD MS Capital Int (1/1/70)$	631.1*	629.6	630.9	641.00	1/2	581.80	4/4
CROSS-BORDER Eurotrack 100(26/10/90)	1384.35	1393.35	1409.19	1540.19	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1222.83	1226.61	1238.59	1311.01	2/2	1143.06	21/6
JCapeDrgns (31/12/88)	(u)	324.70	326.68	395.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	(u)	174.58	173.81	182.72	14/2	141.65	21/4

** Sat Aug 6 : Taiwan Weighted Price 6940.32; Korea Comp Ex 932.7 . Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 10 - 2166.51 +6.05

US INDICES

Dow Jones	Aug 9	Aug 8	Aug 5	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3755.76	3753.81	3747.02	3978.36 (31/1)	97.84 (30/7)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	98.11	98.05	98.07	105.81 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1598.07	1598.56	1596.23	1862.29 (2/2)	1548.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	188.57	189.89	189.43	227.08 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3773.89 (3780.68) Low 3728.56 (3732.77) (Theoretical♦)
Day's high 3758.67 (3761.91) Low 3743.78 (3746.37) (Actual♦)

Standard and Poors	Aug 9	Aug 8	Aug 5	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	457.93	457.89	457.09	482.00 (2/2)	438.92 (4/4)	534.19 (29/7/94)	4.40 (1/6/32)
Industrials♥	533.53	533.46	532.18	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	45.00	44.90	44.89	48.84 (14/6)	41.39 (4/4)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	252.96	252.99	252.50	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	442.22	441.80	440.34	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	722.81	720.47	718.67	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Aug 5	Jul 29	Jul 22	Year ago
Dow Jones Ind. Div. Yield	2.72	2.72	2.74	2.87
	Aug 3	Jul 27	Jul 20	Year ago
S & P Ind. Div. yield	2.42	2.45	2.46	2.59
S & P Ind. P/E ratio	23.55	23.13	23.07	25.06

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	458.35	458.45	-0.05	458.50	458.25	37,640	193,425
Dec	-	461.00	+0.60	-	-	1,699	18,032
Mar	-	464.30	+0.60	-	-	227	3,353

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2089.0	2078.0	-8.0	2092.0	2062.0	-	23,410
Sep	2096.0	2083.5	-8.0	2089.0	2072.0	314	27,383
Dec	2124.0	2112.0	-8.0	2124.0	2124.0	4	7,999

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Amer Cyan	4,832,300	93⅞	+2⅞
RJR Nabisco	4,306,600	6¾	+⅛
Telefonos	3,955,900	63⅝	+⅛
EMC Corp	3,654,400	14⅜	+⅜
Syntex	3,080,000	22⅜	-⅛
IBM	3,007,800	64½	+1⅛
Merck	2,890,400	30⅜	+¼
Ford Motor	2,397,100	30⅛	—
Union Carb	2,299,500	32⅝	+1⅛
Oxy Pete	2,122,200	21⅝	+½

■ TRADING ACTIVITY

● Volume (million)	Aug 9	Aug 8	Aug 5
New York SE	259.019	217.877	230.265
Amex	14.079	11.367	12.753
NASDAQ	241.583	201.361	210.125
NYSE			
Issues Traded	2,856	2,858	2,837
Rises	971	1,161	782
Falls	1,143	955	1,329
Unchanged	742	740	726
New Highs	29	38	27
New Lows	72	45	50

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close August 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17 7/8	13 3/8	AAR	0.48	3.3	493	341	14 5/8	14 1/8	14 1/2	+1/4
16 7/8	12 5/8	A L Labs A	0.18	1.3	31	170	13 3/4	13 1/2	13 1/2	-1/8
75 1/4	57 5/8	AMP x	1.68	2.3	25	2039	74 5/8	74	74 5/8	+1/8
72 1/4	52 1/8	AMR			100	3649	57 3/4	57	57 1/2	+1/4
5	3 3/8	ARX			13	45	4	3 7/8	3 7/8	-1/8
58 1/4	38 5/8	ASA	2.00	4.4	30	217	46 1/4	45 1/2	45 7/8	+3/8
31 3/8	25 3/8	AbbotL	0.76	2.7	16	8171	28 5/8	27 1/2	28 1/2	+1
13 3/4	11 3/8	Abitibi Pr	0.50	3.7	9	13	13 5/8	13 1/2	13 1/2	-1/8
23 5/8	17 3/4	ABM Ind	0.52	2.4		116	22 3/8	21 7/8	22	-3/8
14 3/8	11 1/8	Acptmctn			25	133	14 1/8	14	14	-1/4
31	22 3/4	ACE Ltd	0.44	1.9	3	58	23 1/2	23 3/8	23 3/8	-1/8
12 1/2	10 1/8	ACM Gvt In x	1.09	10.3		1295	10 3/4	10 5/8	10 5/8	
10 1/8	7 7/8	ACM GvOpp x	0.80	9.8		86	8 1/4	8 1/8	8 1/8	-1/8
10 5/8	7 3/4	ACM Gvt Sp x	0.96	12.2		328	8	7 7/8	7 7/8	-1/8
12	9	ACM Gvt Se x	1.08	12.2		228	9 1/8	d9	9	-1/8
11 3/4	8 3/8	ACM Man x	1.08	12.5		110	8 5/8	8 1/2	8 5/8	
9 1/4	8	ACM Managd x	0.72	8.9		64	8 1/8	d8	8 1/8	+1/8
15 1/2	8 3/4	AcmeClv x	0.44	3.9	14	61	11 5/8	11 3/8	11 3/8	-1/8
8 7/8	6 1/2	Acme Elect			6	98	9 1/2	9	9	-1/8
28 3/4	23	Acordia	0.60	2.4	12	4	25 1/2	25 1/2	25 1/2	
10 1/2	5 3/4	Actava	0.35	3.4	3	488	u10 1/2	10 1/4	10 1/2	+1/4
15 5/8	11 1/4	Acuson			98	84	12 5/8	12 3/8	12 1/2	
18 3/8	16 1/2	Adams Expr	0.48	2.8	0	58	17 3/8	17 1/4	17 3/8	+1/8
64	46 1/2	Ad Micro	3.00	5.1		411	58 3/4	57	58 3/8	+1 1/8
31 1/4	16 3/4	AdvMic	3.00	10.7	12	5498	28 3/8	27 1/2	28	+3/8
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NYSE COMPOSITE PRICES

4 pm close August 10

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
30¾	25	StJosL&P x	1.80	6.7	13	10	26⅞	26⅝	26¾	+⅛
45	37¾	StPaul	1.50	3.4	4	2037	43½	42⅝	43½	+⅞
8⅜	5	Salant Crp			7	190	5¾	5¼	5¾	+⅜
49⅞	33⅞	Sallie Mae	1.40	4.1	8	5011	34¼	d33¾	33¾	-⅛
13⅞	11⅞	Salomon Br	0.32	2.6		331	12⅝	12⅜	12½	+⅛
52¾	42¼	Salomn	0.64	1.5	5	4020	42⅞	d41⅞	42	-⅜
25	17½	SaDgSE	1.52	7.6	10	337	20¼	20	20⅛	-¼
10	7½	SantaFeERs	0.16	1.7	9	1636	9⅝	9½	9½	-⅛
15¼	13½	SFeGd				1438	14⅝	14⅜	14⅝	+¼
40	31½	SantaFePac	2.80	8.1	16	81	35	34⅝	34⅝	-⅜
26¾	18½	SanFeP	0.10	0.5	11	2687	20	19⅞	20	
26	19⅛	SaraLee	0.64	3.0	14	7499	21½	20⅞	21½	+¾
50⅛	42⅛	Scana Corp	2.82	6.2	12	190	45⅝	45⅜	45⅝	+⅛
20½	12½	Sceorp	1.00	7.4	9	2461	13½	13⅜	13½	+⅛
40½	31¾	ScheringP			28	464	37	36	37	+1
69⅞	54½	SchPl x	2.04	3.0	16	7706	68	65½	67¾	+1⅛
63	50¾	Schlmb x	1.20	2.0	24	4954	59¼	58½	59¼	+¾
33⅞	23¾	Schwab(C)	0.28	1.1	12	851	25⅞	25½	25⅝	-⅛
10¾	6⅛	Schwitzer			26	22	9½	9⅜	9⅜	-⅛
39⅝	24⅞	SciAtl	0.12	0.3	78	1207	d40	38½	38⅞	+1⅛
16⅞	13	Scotsman	0.10	0.7	14	590	15	14¾	15	+⅝
61¼	37¼	ScottP	0.80	1.3	16	8026	u61¾	60⅞	61½	+¾

[illegible]

NASDAQ NATIONAL MARKET

4 pm close August 10

[illegible]

AMEX COMPOSITE PRICES

4 pm close August 10

[illegible]

AMERICA

Program buying helps Dow to modest rise

Wall Street

Computerised program buying helped US share prices post modest gains across the board yesterday morning, although many participants remained on the sidelines waiting to see how the bond market would react to the important afternoon auction of new government securities, *writes Patrick Harverson in New York.*

By 1pm, the Dow Jones Industrial Average was 13.59 higher at 3,769.35. The more broadly based Standard & Poor's 500 was also moderately firmer at the halfway mark, up 1.85 at 253.92, while the American Stock Exchange composite moved forward 1.27 to 443.49 and the Nasdaq composite added 4.18 at 726.79.

Trading volume on the New York SE came to 157m shares by 1pm.

As during the first two days of the week, there was little interest in buying stocks among retail investors at the opening yesterday, primarily because they were waiting for a lead from the bond market, which was in the middle of digesting billions of dollars of new government securities.

The second leg of the Treasury's quarterly refunding round – the sale of $12bn in 10-year notes – was due during the afternoon, and bond prices were subdued ahead of the auction. Share prices were also little changed, although later in the morning some selected program buying helped stocks to edge higher.

Investors were also reluctant to commit funds to the market because of the impending inflation news.

Today the government releases the July producer prices index, followed by the July consumer price index a day later.

Both figures are nervously awaited by the markets because, if inflation is shown to be gathering pace, the Federal Reserve could decide to sanction another interest rate increase to slow down the economy, and with it inflation. Such a move would depress stock prices, although growing expectations of another monetary policy tightening means that the impact of a rate increase, in part, has been priced into the market already.

Among individual stocks, a broad group of leading issues were firmer, with Minnesota Mining & Manufacturing up $1 at $55⅞, Procter & Gamble (which reported a 24 per cent jump in second-quarter underlying earnings yesterday) ahead $1⅛ at $54⅝ and Union Carbide $¾ firmer at $33⅞.

Among the biggest losers of the day was Dillard Department Stores. Shares in the retailer dropped $4⅝ to $27⅞ on 2.5m shares traded, as investors reacted harshly to news of second-quarter earnings that were below market expectations.

Reports that Kidder, Peabody, the troubled Wall Street investment bank, lost between $50m and $60m in the month of July, mostly because of problems in the mortgage-backed securities market, unsettled the shares of its parent group, General Electric, which fell $1 to $47⅞ in heavy trading.

On the Nasdaq market, Lotus jumped $3 to $38⅝ in volume of 2.7m shares after the company said that it was entering into a world-wide marketing and product development pact with the leading chipmaker Intel.

Shares in Intel were also higher yesterday, showing a gain of $½ at $59¾.

Canada

Toronto stocks continued higher in quiet midday trade, supported by recent strength in the Canadian dollar. The TSE 300 composite index moved ahead 14.70 to 4,201.00 in volume of 30.58m shares valued at C$402m.

Advances led declines by 287 to 248, with 309 issues unchanged. The communications sector index rose 42.15 to 8,569.41, led by Rogers Communications "B", up C$¼ to C$21 as investors reacted positively to the group's second-quarter results. Transportation stocks gained 35.77 at 4,529.53, majoring on Air Canada which put on C$¼ at C$7⅛.

Mexico

Mexican shares opened higher, boosted by another sharp cut in interest rates.

It was the second reduction in rates in a week and took some investors by surprise – the Treasury Bill or 28-day Cetes was cut by 65 basis points to 15.15 per cent.

The IPC index was up 3.64 at 2,598.60 in early trading in turnover of 198.8m pesos.

Telmex "L" series shares, available to foreign investors, were unchanged at 10.74 pesos.

Among banks, Grupo Financiero Bancomer "C" shares were flat at 4.58 pesos and Banacci "C" stock was up 40 centavos at 24.90 pesos.

Analysts worry as South Africa climbs

Johannesburg closed sharply higher once again, although analysts detected a conflict between the bullish sentiment and the feeling that price gains were outstripping strength in underlying economic fundamentals amid a lack of quality stocks. The market, they noted, was drawing in retail buyers, looking to take advantage of this week's major rally.

The overall index was up 95 at 5,918, a closing high, the industrial index by 39 at 6,694 and the golds index by 65 at 2,222. Analysts said the weaker commercial and financial rands, a firmer bullion price and mostly steady world equities had offered support, export-orientated shares posting the biggest gains.

Gencor jumped 80 cents to R12.60 in steady trade as it shrugged off recent lethargy which followed sharp gains ahead of its Billiton purchase. Joel ran out of steam after its recent bullish run, slipping 10 cents to R7.15.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: August 5 1994	Dollar terms: % Change over week	Dollar terms: % Change on Dec '93	Local currency terms: August 5 1994	Local currency terms: % Change over week	Local currency terms: % Change on Dec '93
Latin America	(209)	695.47	+8.5	+6.9			
Argentina	(25)	910.69	+1.6	-8.4	558,821.19	+1.6	-8.4
Brazil	(57)	340.79	+17.1	+46.4	1,162,367,043	+6.8	+1,044.4
Chile	(25)	670.14	+4.7	+21.4	1,129.04	+4.1	+18.4
Colombia[1]	(11)	968.40	+0.7	+50.2	1,397.03	+0.5	+50.7
Mexico	(68)	947.41	+6.9	-5.9	1,380.38	+6.2	+2.3
Peru[2]	(11)	144.88	+6.0	+19.8	194.47	+6.0	+22.3
Venezuela[3]	(12)	480.67	+3.7	-18.8	1,878.48	+3.7	+32.2
Asia	(557)	264.66	+5.4	-9.1			
China[4]	(18)	102.04	+5.5	-31.6	111.01	+5.4	-32.4
South Korea[5]	(156)	128.02	+0.7	+8.3	135.05	+0.7	+7.6
Philippines	(18)	298.13	+3.9	-12.4	377.77	+5.5	-14.9
Taiwan, China[6]	(90)	156.10	+1.9	+15.5	155.53	+1.5	+16.2
India[7]	(76)	136.86	+2.2	+17.5	151.35	+2.2	+17.5
Indonesia[8]	(37)	102.09	+6.8	-18.1	120.03	+6.6	-15.7
Malaysia	(105)	295.16	+7.4	-12.9	280.16	+6.5	-16.9
Pakistan[9]	(15)	391.01	+0.5	+0.8	542.13	+0.5	+2.6
Sri Lanka[10]	(5)	181.17	-0.2	+2.2	194.96	+0.7	+2.1
Thailand	(55)	405.27	+3.8	-15.1	401.81	+3.6	-16.8
Euro/Mid East	(125)	118.64	+3.8	-29.9			
Greece	(25)	233.85	+8.2	+2.7	377.87	+7.8	-1.7
Hungary[11]	(5)	181.20	-3.3	+8.7	239.57	+4.3	+18.7
Jordan	(13)	163.05	+0.1	-1.5	233.09	-0.1	-2.6
Poland[12]	(12)	722.24	+8.2	-11.7	1,043.55	+8.8	-5.5
Portugal	(25)	124.52	+7.0	+9.4	137.41	+6.6	-0.5
Turkey[13]	(40)	110.67	-0.2	-47.9	1,624.32	+0.4	+11.7
Zimbabwe[14]	(5)	246.19	+2.1	+21.8	292.94	+2.3	+37.1
Composite	(891)	343.40	+6.7	-3.5			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

While the Brazilian equity market continues to make substantial headway following the introduction of a new currency at the start of July – the third phase of the government's economic stabilisation programme – the attention of many investors has been directed recently to Mexico. Last week, a number of brokers raised the weighting of the market in their asset allocation portfolios to reflect the generally positive attitude towards the forthcoming presidential elections. Salomon Brothers was among those to change its stance, increasing its allocation by 2 percentage points to 40 per cent, and said it expected equities to gain momentum as the August 21 elections approached. "We continue to believe the elections will be seen as the freest and fairest in Mexico's history, and that post-election disputes will be manageable," it added.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY AUGUST 9 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY AUGUST 8 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	177.33	0.6	170.61	113.44	145.85	158.87	0.3	3.47	176.34	169.54	112.97	144.95	158.37	189.15	139.24	141.71
Austria (17)	189.71	-1.0	182.73	121.36	156.03	155.85	-1.1	1.02	191.62	184.23	122.75	157.51	167.54	195.41	164.64	167.13
Belgium (37)	175.61	-0.7	169.16	112.34	144.43	141.10	-0.6	3.92	176.76	169.95	113.24	145.30	141.93	176.76	143.62	148.59
Canada (105)	129.25	0.5	124.49	82.68	106.30	128.85	0.3	2.63	128.55	123.60	82.35	105.67	128.52	145.31	120.54	126.66
Denmark (33)	268.96	-1.1	259.07	172.06	221.21	227.99	-0.9	1.30	271.89	261.41	174.17	223.49	230.03	275.79	211.26	215.24
Finland (24)	162.33	-0.1	156.36	103.84	133.51	177.21	0.1	0.80	162.47	156.21	104.08	133.55	176.99	164.23	104.28	109.97
France (97)	177.23	-1.5	170.71	113.37	145.76	150.71	-1.4	2.82	179.92	172.98	115.26	147.89	152.78	185.37	159.13	160.76
Germany (58)	144.94	-0.9	139.61	92.72	119.21	119.21	-0.8	1.74	146.27	140.64	93.71	120.24	120.24	147.24	118.21	119.97
Hong Kong (56)	382.40	-1.2	368.34	244.62	314.51	379.28	-1.2	3.18	386.96	372.05	247.90	318.09	383.81	508.56	296.76	294.51
Ireland (14)	208.31	-0.3	198.73	131.98	169.69	190.70	-0.2	3.25	206.85	198.88	132.51	170.03	191.02	209.33	161.54	169.20
Italy (61)	83.43	-1.3	80.37	53.37	68.62	98.71	-0.9	1.54	84.57	81.31	54.18	69.52	99.66	97.78	57.88	72.91
Japan (469)	163.48	0.1	157.47	104.59	134.46	104.58	0.0	0.73	163.31	157.02	104.62	134.24	104.62	170.10	124.64	157.45
Malaysia (98)	520.62	0.1	501.48	333.04	428.20	516.73	-0.1	1.59	519.99	499.95	333.12	427.44	517.08	621.63	361.96	362.78
Mexico (18)	2201.80	-1.6	2120.84	1408.48	1810.89	8157.23	-1.6	1.64	2238.80	2152.50	1434.20	1840.27	8291.87	2647.06	1615.11	1642.96
Netherland (27)	211.85	-1.2	204.16	135.58	174.33	171.97	-1.1	3.31	214.54	206.26	137.44	176.36	173.89	214.54	171.96	172.48
New Zealand (14)	70.53	-2.4	67.93	45.12	58.01	62.34	-1.7	3.83	72.23	69.45	46.27	59.38	63.44	77.59	56.86	57.99
Norway (23)	209.66	-0.4	201.95	134.12	172.44	196.85	-0.3	1.66	210.55	202.44	134.88	173.07	197.40	211.74	163.92	164.75
Singapore (44)	356.17	0.0	343.08	227.85	292.95	247.11	0.0	1.71	356.29	342.58	228.25	292.88	247.11	376.92	262.42	262.42
South Africa (59)	297.74	0.6	286.79	190.46	244.88	299.35	1.1	2.08	296.05	284.64	189.65	243.35	296.04	297.74	175.93	197.66
Spain (42)	148.60	-0.8	143.14	95.06	122.22	146.36	-0.8	3.94	149.84	144.07	95.99	123.17	147.59	155.79	119.38	120.63
Sweden (36)	222.92	-1.1	214.73	142.60	183.35	256.96	-0.4	1.55	225.28	216.60	144.32	185.19	257.92	231.35	175.83	187.20
Switzerland (47)	158.93	-1.4	153.09	101.67	130.71	131.48	-1.3	1.85	161.17	154.96	103.25	132.48	133.24	176.56	127.57	130.68
United Kingdom (204)	199.29	-0.3	191.96	127.48	163.91	191.96	-0.1	3.94	199.84	192.14	128.02	164.27	192.14	214.96	179.29	181.86
USA (519)	187.16	0.0	180.28	119.73	153.93	187.16	0.0	2.88	187.12	179.91	119.87	153.81	187.12	196.04	178.95	184.34
EUROPE (720)	173.25	-0.8	166.88	110.83	142.49	157.03	-0.7	2.96	174.70	167.96	111.91	143.60	158.08	178.58	148.76	150.62
Nordic (116)	218.21	-0.9	210.19	139.59	179.47	214.72	-0.4	1.38	220.11	211.63	141.01	180.93	215.60	222.03	172.02	174.95
Pacific Basin (749)	172.20	0.0	165.87	110.16	141.63	114.64	-0.1	1.05	172.16	165.51	110.28	141.51	114.96	176.86	134.79	160.99
Euro-Pacific (1469)	172.52	-0.3	166.17	110.36	141.89	131.68	-0.3	1.86	173.09	166.42	110.89	142.28	132.13	173.69	143.68	156.62
North America (624)	183.57	0.0	176.82	117.43	150.98	183.16	0.0	2.87	183.49	176.42	117.56	150.83	183.10	192.73	175.67	180.77
Europe Ex. UK (516)	155.44	-1.1	149.72	99.43	127.84	136.20	-1.0	2.38	157.25	151.18	100.73	129.25	137.58	158.12	129.52	131.06
Pacific Ex. Japan (280)	257.84	-0.3	248.37	164.94	212.07	229.92	-0.4	2.80	258.73	248.76	165.75	212.68	230.90	296.21	196.30	196.30
World Ex. US (1651)	173.82	-0.3	167.43	111.19	142.96	135.24	-0.3	1.89	174.36	167.64	111.70	143.33	135.67	175.01	145.58	156.93
World Ex. UK (1966)	175.08	-0.2	168.64	112.00	144.00	147.54	-0.2	2.04	175.41	168.65	112.37	144.19	147.86	176.51	155.96	163.45
World Ex. So. Af. (2111)	176.47	-0.2	169.98	112.88	145.14	150.45	-0.2	2.23	176.83	170.02	113.28	145.35	150.77	178.56	158.54	164.98
World Ex. Japan (1701)	186.68	-0.3	179.82	119.42	153.54	178.71	-0.3	2.87	187.29	180.07	119.98	153.95	179.19	195.20	170.30	171.20
The World Index (2170)	177.22	-0.2	170.70	113.37	145.76	151.54	-0.2	2.23	177.57	170.73	113.75	145.96	151.84	178.97	158.85	165.09

Latest prices unavailable for this edition.

EUROPE

Hoogovens leads Dutch blue chip gains

Wall Street gains, warmer bond markets, and corporate news gave bourses a lift yesterday, *writes Our Markets Staff.*

AMSTERDAM featured some impressive rises among the blue chip stocks, none more so than a 4.6 per cent advance in Hoogovens after the metals group pleased investors with first-half results at the top end of analysts' expectations. The market was also encouraged by the company's forecast that second-half results would see a considerable improvement from the first six months.

The AEX index added 0.79 at 417.62.

Other strong gains came from DSM, up 2.5 per cent at Fl 144.10 and Elsevier, ahead 2.3 per cent at Fl 174.00.

Heineken, off Fl 3.30 at Fl 232.50, announced after the close of trading that it was to lift its stake in Spanish brewer El Aguila to 64 per cent from 51.2 per cent.

FRANKFURT reflected a volatile bond market, said Mr John Blackley at James Capel, running twice through the cycle of weakness followed by recovery during the official equity session, and the post-bourse.

The Dax index closed the session 3.83 down at 2,160.37 after a day's low of 2,153.70, and eventually recovered to 2,166.51 after hours, 5.59 higher than it was at the end of Tuesday afternoon.

Turnover stayed low at DM5.5bn after DM5.4bn, and in these illiquid conditions a number of shares reversed sharp movements which they had seen a day earlier.

Degussa, for example, saw profit-taking after earlier gains on a good half-year result, and the chemicals to gold refining group's shares dropped DM11 to DM502.50 after a DM6.50 rise on Tuesday.

Siemens followers, meanwhile, decided that Tuesday's resumption of a Hanau plutonium plant project, following a favourable court decision, was good for the shares, which rose DM8 to DM688.50 by the post-bourse close after Tuesday's session fall of DM9.10.

PARIS suffered an interruption in trading as lightning hit the bourse's computer system, but the system came back on stream before the end of the session, leaving the CAC-40 index down 10.31 at 2,064.17.

Turnover remained weak at FFr2.7bn.

A raft of first-half sales figures did nothing to excite interest, especially as most of the data had been well flagged in advance. LVMH was among those companies providing figures, the shares slipping FFr3 to FFr865 as it announced a near 20 per cent rise in year-on-year sales.

ZURICH stayed interested in bank shares, but the market benefited as UBS regained its equilibrium after its falls on its own poor results and Tuesday's bond market weakness. UBS, the most active stock, ended SFr3 higher at SFr1,112 after an early low of SFr1,095, and the SMI index closed 5.9 firmer at 2,591.4.

Ciba registered rose SFr4 to SFr815 following its acquisition of the ophthalmic pharmaceutical product line of Johnson & Johnson. Swissair added SFr21 at SFr851, taking its cumulative gain to SFr101 in August so far.

Dealers said Swissair rose on a short-term buy recommendation by a British broker, following UBS's recent upgrade to "buy" from "hold". They saw US investors, which recently had shown interest in the shares in European carriers, as buyers.

MILAN lost 2 per cent in the Comit index as sell programs took their toll of blue chips. The index dipped 14.81 to 674.52, with turnover reported as low.

Traders noted that if the index fell below the 670 support mark, the next level of resistance would be 620-640.

Olivetti was among the stocks being sold, with the shares down L50 at L2,175, while Fiat slipped L65 to L6,575 and Pirelli L20 to L2,710.

COPENHAGEN receded 1.1 per cent after the market was disappointed by weaker than expected six-month results from Novo Nordisk, the drugs and biotechnology group. Novo reported profits of DKr550m, against market expectations of above DKr600m, as the share price fell DKr50, or 7.5 per cent, to DKr616.

The KFX index finished 1.13 down at 103.41.

ISTANBUL rallied 5 per cent as domestic investors supported the market and foreigners continued to make selective purchases. The composite index advanced 1,249.68 to 23,954.57.

Mr Stuart Harley of Schroders in London commented that the market's momentum had been building up following better than expected first-half results, a stable dollar and lower interest rates. Second-line stocks had been pushing the market forward, rather than blue chips, he added.

TEL AVIV gained 1.6 per cent as the strong market sentiment from the political peace process continued. The Mishtanim index closed 3.13 up at 197.32. Analysts expected the market to stabilise before it challenged the 230 level at the end of the year.

Written and edited by William Cochrane, John Pitt and Saqib Qureshi

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Aug 10 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1386.36	1385.67	1383.53	1381.46	1381.54	1383.06	1383.60	1384.35
FT-SE Eurotrack 200	1434.45	1433.95	1431.87	1429.33	1428.73	1430.82	1432.61	1432.72

	Aug 9	Aug 8	Aug 5	Aug 4	Aug 3
FT-SE Eurotrack 100	1393.35	1409.19	1408.12	1409.38	1415.07
FT-SE Eurotrack 200	1439.28	1450.01	1448.96	1446.61	1452.21

Base 1000 (26/10/90); High/day: 100 - 1386.66; 200 - 1435.03 Low/day: 100 - 1380.46 200 - 1428.83

ASIA PACIFIC

Nikkei improves on bond market rally

Tokyo

Share prices gained ground on arbitrage buying and purchases by public funds, and the Nikkei 225 average closed higher in spite of a lack of news, *writes Emiko Terazono in Tokyo.*

The index was finally ahead 180.03 at the day's best of 20,770.25, after dipping to a low of 20,584.82 in the morning session but supported throughout the day by buying orders from domestic financial institutions and arbitrageurs.

Volume, however, remained low as investors other than public fund managers stayed on the sidelines. A total of 274m shares changed hands, against Tuesday's 256m.

The Topix index of all first section stocks put on 5.35 at 1,661.50 and the Nikkei 300 firmed 1.14 to 302.15. Advances led declines by 549 to 398, with 203 issues unchanged. In London the ISE/Nikkei 50 index eased 0.83 to 1,349.66.

A rally in the bond market, depressed since last week on the rise in the dollar and prospects of an imminent economic recovery, relieved some traders. Some investors feared that a sell-off in the bond market would prompt profit-taking in equities to cover losses on bond portfolios.

Overseas investors stepped up their buying of chemical shares on expectations of higher ethylene prices, although some of the gains were trimmed by selling by domestic institutions. Sumitomo Chemical rose Y10 to Y554 and Showa Denko added Y5 at Y372.

Steels, leading the day's activity, were supported by public funds. Nippon Steel, the most active issue of the day, gained Y2 at Y370, while NKK moved up Y4 to Y285 and Kawasaki Steel Y3 to Y418.

Maruha, a fishing company, forged ahead Y26 to Y452 on reports that it will start the world's first tuna fish farming project.

Mitsumi Electric dropped Y160 to Y1,550 on reports of a decline in half-year operating profits, while prospects of falling CD-ROM disk drive sales hit Matsushita-Kotobuki Electronics, which lost Y90 at Y3,130.

Speculation that overseas investors will sell blue chip electricals depressed leading high-technology stocks. Toshiba dipped Y8 to Y768 and NEC Y10 to Y1,240. But consumer electronics stocks were higher, with Matsushita Electric Industrial up Y10 to Y1,780 and Sony adding Y80 at Y5,980.

In Osaka, the OSE average moved ahead 36.32 to 23,053.52 in volume of 71.6m shares. The index was supported by a rise in retail and drug stocks.

Roundup

The region's markets generally improved yesterday.

HONG KONG advanced as strong general buying pushed stocks up sharply following a good rally in Hong Kong issues in London. The Hang Seng index moved forward 171.65, or 1.8 per cent, to 9,618.08.

Turnover was a preliminary HK$4.28bn, against Tuesday's adjusted HK$2.99bn.

BOMBAY closed at a 27-month peak on general buying by speculators, with the BSE index strengthening 45.92 to 4,365.00. Brokers said the rise was fuelled by across the board purchasing by investors who believed that the market was poised to climb on the back of excellent corporate results and good monsoon rains.

SHANGHAI's A share index for domestic investors shrugged off Tuesday's losses to soar on expectations of an infusion of bank liquidity. The index finished 95.23, or 14.35 per cent, ahead at 759.17 in turnover of Yn9.72bn.

Shanghai's B share index rose 1.84 to 78.87 as market sentiment remained good.

SEOUL moved up, helped by reports that the central bank would loosen its tight grip on monetary policy. The composite index improved 12.71 to 930.21 as a technical rebound following recent falls further strengthened sentiment.

KUALA LUMPUR gained 1.8 per cent in the strongest market volume since mid-June, of 425m shares. The composite index closed at a five-month high, up 19.2 at 1,092.8.

Plantation shares were in demand as funds rerated the stocks to reflect firm palm oil prices. United Plantations appreciated 70 cents to M$7.10.

MANILA saw share prices stage a good rise, spurred by investors positioning for an expected surge next month when Petron shares are listed.

The share index advanced 61.82 to 2,944.19 in volume of 9.03bn shares worth 1.57bn pesos.

TAIPEI remained concerned about the central bank's tight monetary policy as share prices weakened amid profit-taking. The index finished 106.90, or 1.5 per cent, down at 6,838.01. Turnover was a heavy T$106.2bn.

SYDNEY ended lower as investors stayed on the sidelines because of uncertainty over US interest rates. The All Ordinaries index slipped 10.3 to 2,076.5 in turnover of 175.4m shares. Analysts expected investors to remain undecided until the US interest rate situation was resolved.

JAKARTA rebounded on buoyant sentiment and bargain hunting. The JKSE index rose 1.77 to 471.69.

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